



2019 Affordable Housing Market Study

City of Salisbury



Source: Laurel Street

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Executive Summary

Every resident of Salisbury, North Carolina deserves a decent, safe, sound, and affordable place to live, in a neighborhood that provides opportunities to succeed. The market alone is not always able to meet that need and accordingly, governments at all levels must work together to help. The City of Salisbury's shortage of affordable housing has reached a crisis. Much of the housing is not affordable to low- and moderate-income households and working families whose housing costs amount to 30% or more of their incomes.

This 2019 Affordable Housing Market Study (AHMS) has been developed as the long-range vision for addressing affordable housing needs over the next five (5) years. In this AHMS, the Institute for Building Technology and Safety (IBTS) analyzes the current housing market, examines trends in housing market economic opportunities of Salisbury, identifies shortcomings in affordable housing, and provides recommendations, goals, and strategies for the next five years.

The AHMS focuses on the status and interaction of four (4) fundamental conditions within the community:

- ▶ Economic and demographic trends, specifically population and household growth, and employment and income characteristics;
- ▶ The rental and homeowner housing market;
- ▶ The provision of financial assistance for affordable housing;
- ▶ Public policies and actions affecting affordable housing.

The methodology employed to develop the AHMS incorporates demographic research for the purposes of analysis that included:

- ▶ The U.S. Census, American Community Survey and the HUD Comprehensive Housing Affordability Strategy (CHAS) data and tables along with other federal and state programs and local data sources;
- ▶ A review of the affordable housing objectives and policies of the City of Salisbury;
- ▶ A review of local real estate rental markets and mortgage practices.

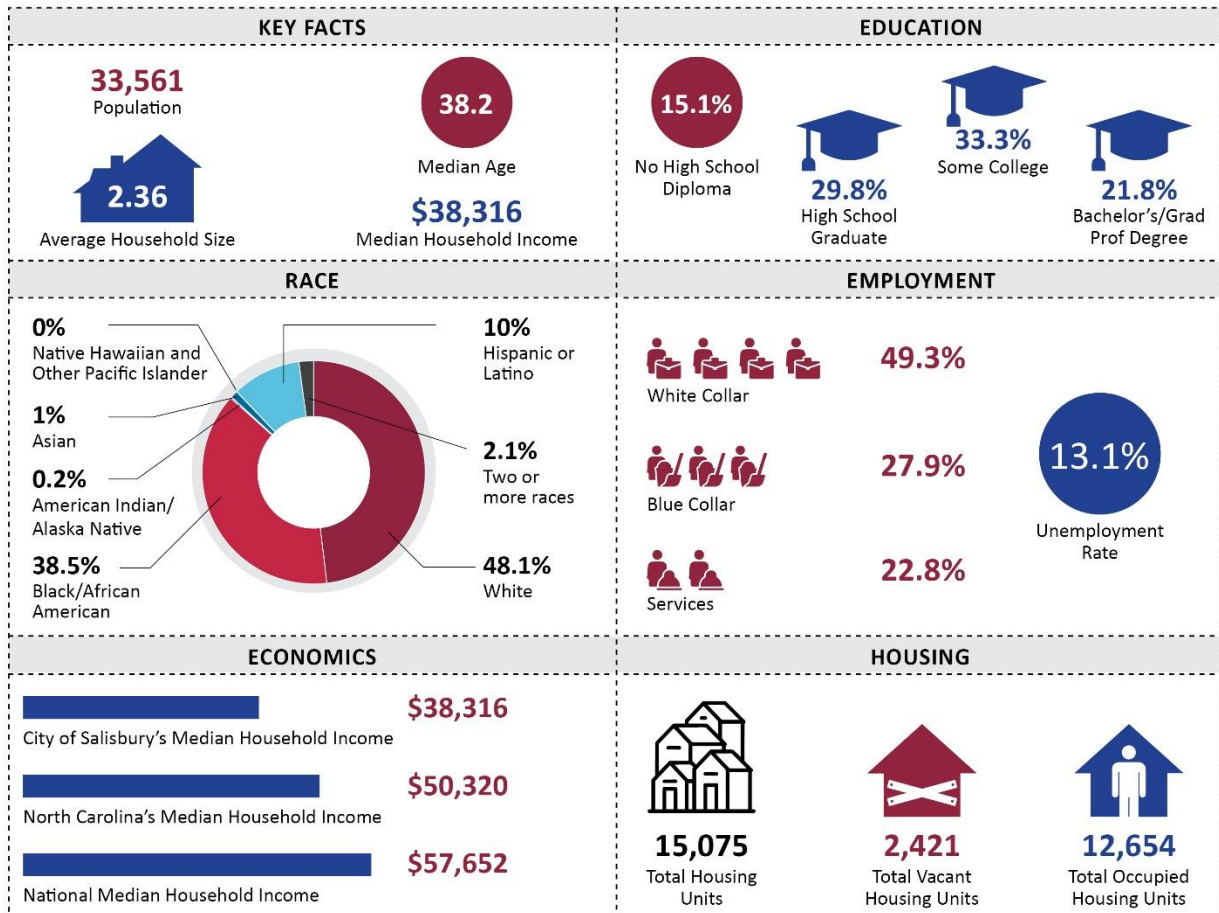
This AHMS provides a broad view of the affordable housing needs and related strategies and recommendations. It recognizes that actions in one area may affect actions in other areas, thus requiring ongoing collaboration and engagement of the community, affordable housing providers, and municipal partners.

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Key Demographics

Understanding the demographics of a community is key to understanding its unique needs for housing, infrastructure, employment opportunities, and services. The following Key Facts illustrate important demographic statistics that help to better understand the existing conditions in the City that may be affecting the housing market.



The demographic data for the Key Facts on this page and for the Affordable Market Housing Study were obtained from multiple sources, including:

DataUSA.io
American Community Survey
Experian Consumer Data
Carolina Demography
Institute for Building Technology and Safety



Introduction

This Affordable Housing Market Study (AHMS) is a critical policy document for the community, serving as a housing needs assessment for the City of Salisbury and stakeholders. It provides an analysis of household affordability throughout all population segments of the community. This analysis also looks at a comparison between the City of Salisbury and the HOME Consortium. Forming a consortium is a way for local governments, which would not otherwise qualify for funding, to join with contiguous local governments to participate in the HOME Investment Partnerships Program (HOME). The City of Concord is the lead entity for the HOME Consortium, which also includes the City of Salisbury and Kannapolis, Cabarrus County, Iredell County, the City of Statesville, Rowan County, and the Town of Mooresville. Each of the partners within the HOME Consortium has completed an AHMS study, not including the three community housing development organizations (CHDOs).

This report highlights demographic trends, future demands for housing, regulations, and obstacles preventing the market from effectively responding to housing demand. In addition, it provides an inventory of the assets and programs currently available to help the communities to address these challenges.

The findings of this study will help determine long-term strategies for meeting housing needs, including existing conditions, obstacles, and opportunities within the affordable housing market.

Demographic Data

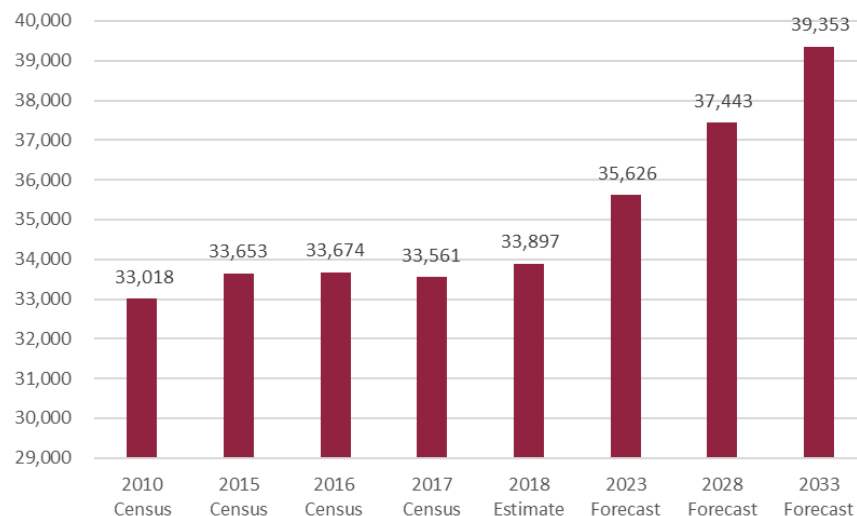
Demographics and Impacts on Housing Demand

Understanding population trends and demographic characteristics is critical in planning and understanding the need for housing. The calculations in this section are based on the Census Bureau 2017 American Community Survey (ACS) 5-year estimates (U.S. Census Bureau, 2017).

Population and Households

The City of Salisbury is located approximately 44 miles northeast of Charlotte in Rowan County, within the Rowan County HUD Metro FMR area. According to ACS 5-Year Estimates, the estimated population in 2017 was 33,561, making Salisbury the largest city in Rowan County with nearly a quarter of the County's population, which had an estimated population of 138,694. Additionally, in 2017, Salisbury has an estimated 12,654 total households and Rowan County had 51,798 (U.S. Census Bureau, 2017). The City of Salisbury 2020 Comprehensive Plan anticipates that the community will continue to grow over the next decade and keep pace with changing populations. It is important for communities to address housing shortages by providing diverse affordable housing options at different price points for all citizens. At the time this study was conducted, the City of Salisbury was undertaking an update of their comprehensive plan.

Figure 1. City of Salisbury Population Estimates



Source: U.S. Census Bureau, 2017.

In 2017, out of the total 12,654 households in Salisbury, an estimated 6,251 (49.4%) were owner-occupied and 6,403 (50.6%) were renter-occupied. In comparison, owner occupied housing represents 70% of the total 185,843 housing units within the HOME Consortium. Additionally, renters within Salisbury represent about 30% of the total rental households within the HOME Consortium (U.S. Census Bureau, 2017).

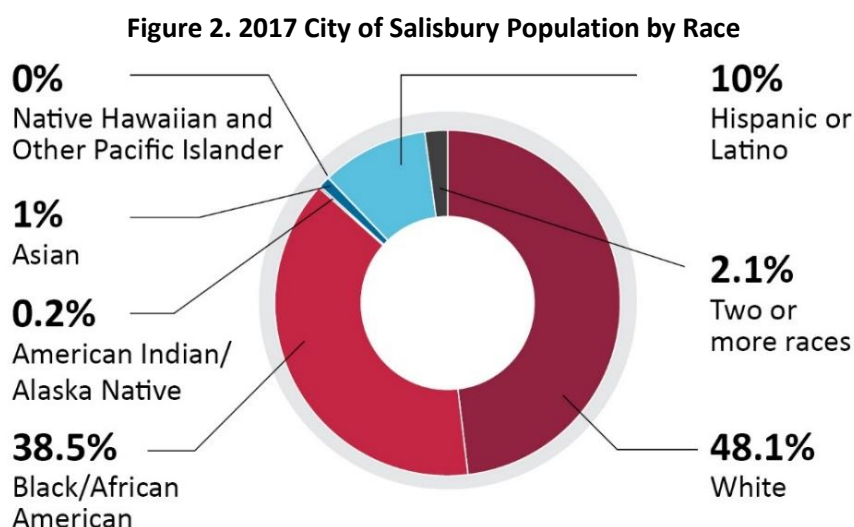
Salisbury Demographic Trends

It is important to note the relationship between demographics and the availability and affordability of a community's housing options. Understanding the changing age, ethnic, and socioeconomic characteristics of a population allows communities to anticipate and plan for future needs of the community. In 2010, the City of Salisbury comprised about 16,238 White residents (53%), while Black or African American residents accounted for 12,640 persons (38.5%) – with other racial groups comprising less residency in the community, notably Latino and Hispanic residents with 2,925 (8.7%) persons. By 2017, the number of White residents increased to a total of 16,142, while Black and African American residents increased by roughly 2.2% to 12,919. Other races are on the rise too with Latino and Hispanic residents up 14.5% to 3,349 (U.S. Census Bureau, 2010-2017).

The graph below shows the 2010 and 2017 population by race in the City of Salisbury:

City of Salisbury Population by Race		
	2010	2017
White	16,238	16,142
Black or African American	12,640	12,919
American Indian and Alaska Native	91	63
Asian	265	352
Native Hawaiian and Other Pacific Islander	57	9
Some other race	246	13
Two or more races	556	714
Hispanic or Latino	2,925	3,349
Total	33,018	33,561

Source: U.S. Census Bureau, 2010-2017.



Source: U.S. Census Bureau, 2017.

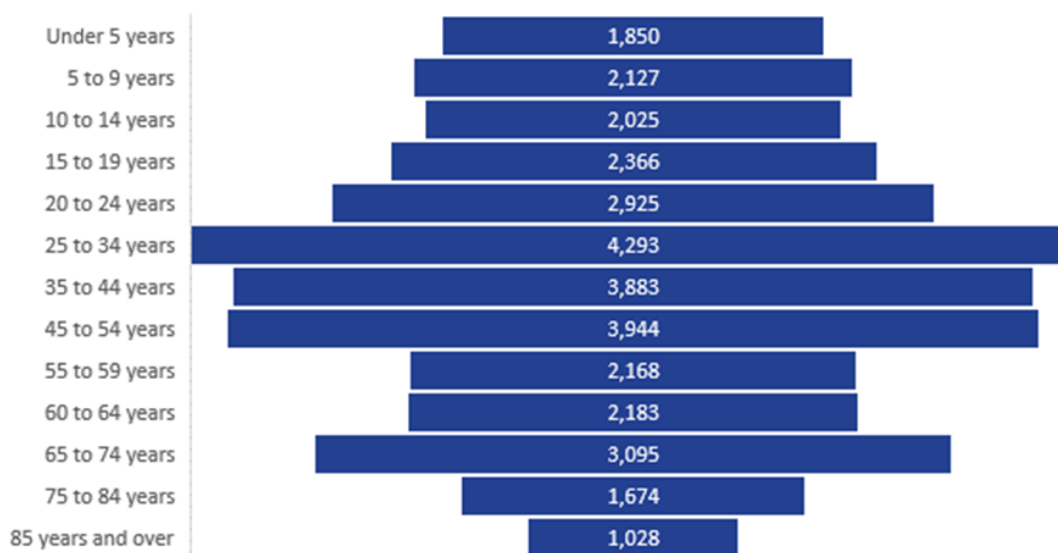
Additionally, the age of Salisbury's residents is also changing. Although the median age from 2010 to 2017 has only increased by 1.6 years, from 36.6 to 38.2, the population will continue to age. By 2033 the median age is expected to have increased to 45.4 years. It is important for communities and stakeholders to understand the changing needs of housing for growing and aging communities. Moving forward, the City of Salisbury should be prepared to not only handle the anticipated growth with services, but also have the necessary housing infrastructure in place to manage the variable housing needs that will accompany the increase in an aging population (U.S. Census Bureau, 2010-2017).

City of Salisbury Median Age	
2010	36.6
2011	35.3
2012	35.4
2013	35
2014	36.8
2015	38.2
2016	38.5
2017	38.2
2018	38.8
2023	41
2028	43.2
2033	45.4
2038	47.7

Source: U.S. Census Bureau, 2010-2017.

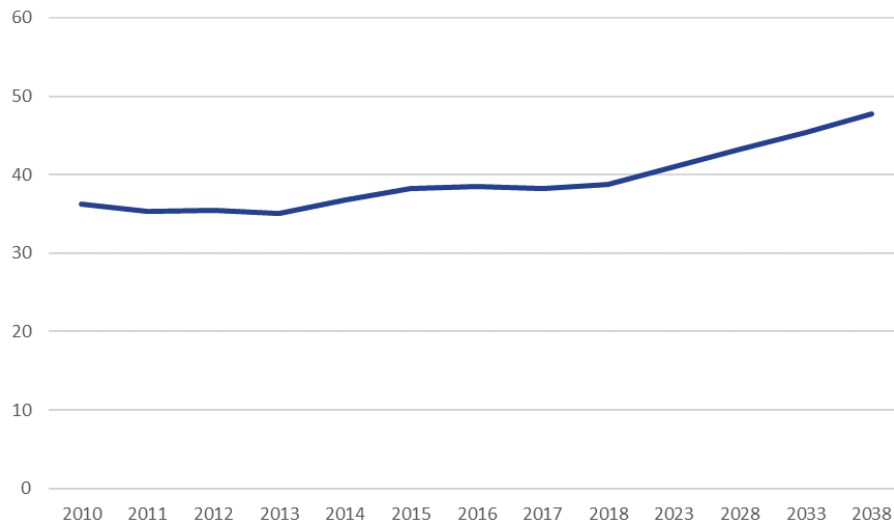
Figure 3 demonstrates the breakdown by population brackets in Salisbury. Three population cohorts – 25 to 34 years, 35 to 44 years, and 45 to 54 years – are the top segments in the demographic makeup of the City. These age groups generally represent those individuals within the work force, as well as owner-occupied households.

Figure 3. 2017 City of Salisbury Total Population by Age



Source: U.S. Census Bureau, 2017.

Figure 4. City of Salisbury Median Age (years)



Source: U.S. Census Bureau, 2010-2017.

Economic Conditions

Economic Conditions Analysis

The City of Salisbury has experienced changes in employment and income. As a result, these changes have affected the community's economic growth, development, and housing market. Due to these changes in the economy, it is not uncommon for communities to seek a better understanding of their local employment structure and the industries that drive their economy. This analysis includes an overview of economic and housing trends in the Charlotte-Concord-Gastonia NC-SC Metropolitan Statistical Area, an overview of the economic and housing trends in Rowan County, and an in-depth analysis of economic trends in the City of Salisbury.

Charlotte Metropolitan Statistical Area Economic Trends

The Charlotte-Concord-Gastonia NC-SC Metropolitan Statistical Area (hereafter, the Charlotte MSA) encompasses one-fifth of the population of North Carolina and 8% of the population of South Carolina. As of January 1, 2019, the population of the Charlotte MSA is estimated at 2.6 million, with an average annual increase of 44,200 persons, or 1.9% annual increase, since 2010. Seventy-two percent (72%) of the increase was from net in-migration (the number of people moving into the area). In comparison, from 2000 to 2010, population increased by an average of 50,000, or 2.6%, a year with 70% from net in-migration (U.S. Census Bureau, 2017).

Rowan County Economic Trends

Rowan County's strategic location in the growing Charlotte metro region, its robust talent pool and workforce, and its wide range of affordable and flexible commercial real estate options make it a prime location for companies from a variety of industries. Rowan County is home to many Fortune 500 companies including Food Lion and Daimler Trucks, and as a dynamic region, well-positioned for growth and investment. It is centrally located in North Carolina's Piedmont Region and has nearly 4 million people living within 60 miles of the County.

According to the Census in 2017, the economy of Rowan County employed 59,529 people. The three main industrial sectors driving the economy are:

- Educational services, health care, and social assistance (14,088 people);
- Manufacturing (9,947 people); and
- Retail trade (7,180).

However, the three industries with the highest median earnings are:

- Transportation, warehousing, and utilities (\$42,349);
- Public administration (\$41,778); and
- Finance and insurance, and real estate and rental and leasing (\$40,494) (U.S. Census Bureau, 2017).

In 2017, the MHI in Rowan County was \$46,978, which is about 18.5% lower than the national MHI of \$57,652. Compared to \$43,596 in 2010, data shows there was almost an 8% increase in MHI in Rowan County (U.S. Census Bureau, 2010-2017).

City of Salisbury Economic Trends

Salisbury is the oldest populated colonial town in the western region of North Carolina. It serves as the county seat of Rowan County with a City Council/Manager form of government. As the largest city in Rowan County, Salisbury's population represents about 24% of the County's total population. As part of the larger metropolitan region anchored by the City of Charlotte (the 7th fastest-growing area in the nation), Salisbury is in close proximity to Uptown Charlotte, other regional employment, shopping, and entertainment centers and is an important player in the Charlotte MSA.

According to the Census, in 2017, the economy of Salisbury employed 13,056 people. The main industrial sectors that are driving the local economy are:

- Educational services, and health care and social assistance (4,073 people);
- Manufacturing (2,312 people); and
- Retail trade (1,453).

However, the industries with the highest median earnings are:

- Finance and insurance, and real estate and rental and leasing (\$41,393);
- Manufacturing (\$37,582); and
- Public administration (\$37,339) (U.S. Census Bureau, 2017).

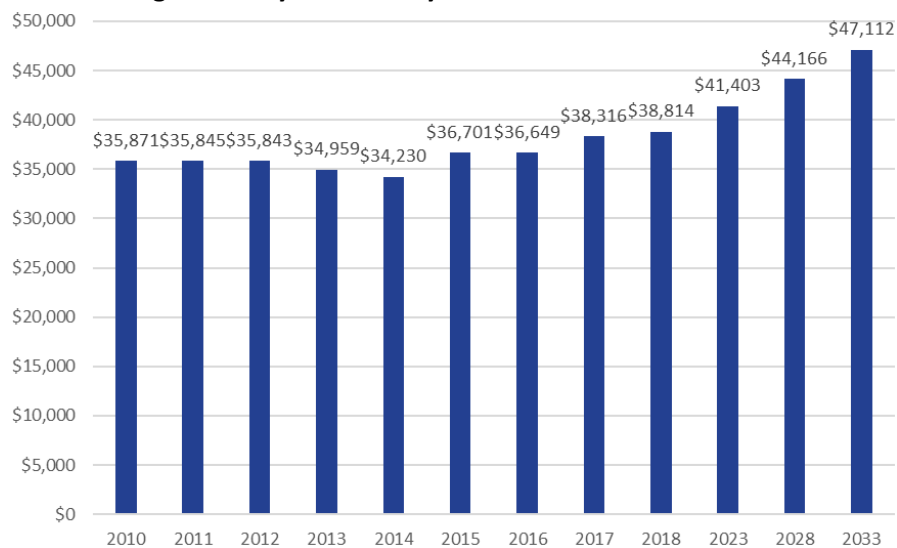
Unemployment in Salisbury increased substantially with the 2009 recession, exceeding 10% for years 2009-2012. The rate began to decline in 2013 and has maintained a level of less than 5% for the past two years (2018 and 2019), exceeding the national level of approximately 3.5% as of October 2019 (U.S. Census Bureau, 2010-2017).

2017 City of Salisbury Employment & Wages			
Industry	Total Employment	% Total Employment	Median Earnings
Agriculture, forestry, fishing and hunting, and mining	95	0.73%	\$27,036
Construction	464	3.55%	\$27,010
Manufacturing	2,312	17.71%	\$37,582
Wholesale trade	396	3.03%	\$28,261
Retail trade	1,453	11.13%	\$23,231
Transportation, warehousing, and utilities	503	3.85%	\$29,983
Information	153	1.17%	\$26,250
Finance and insurance, and real estate and rental and leasing	463	3.55%	\$41,393
Professional, scientific, and management, and administrative and waste management services	879	6.73%	\$36,000
Educational services, and health care and social assistance	4,073	31.2%	\$27,020
Arts, entertainment, recreation, accommodation, food services	1,434	10.98%	\$10,051
Other services, except public administration	621	4.76%	\$23,451
Public administration	210	1.61%	\$37,339

Source: U.S. Census Bureau, 2017.

In 2017, the MHI in Salisbury was \$38,316. Compared to \$35,871 in 2010, data shows that there has been about a 6.8% increase in MHI in Salisbury (U.S. Census Bureau, 2010-2017).

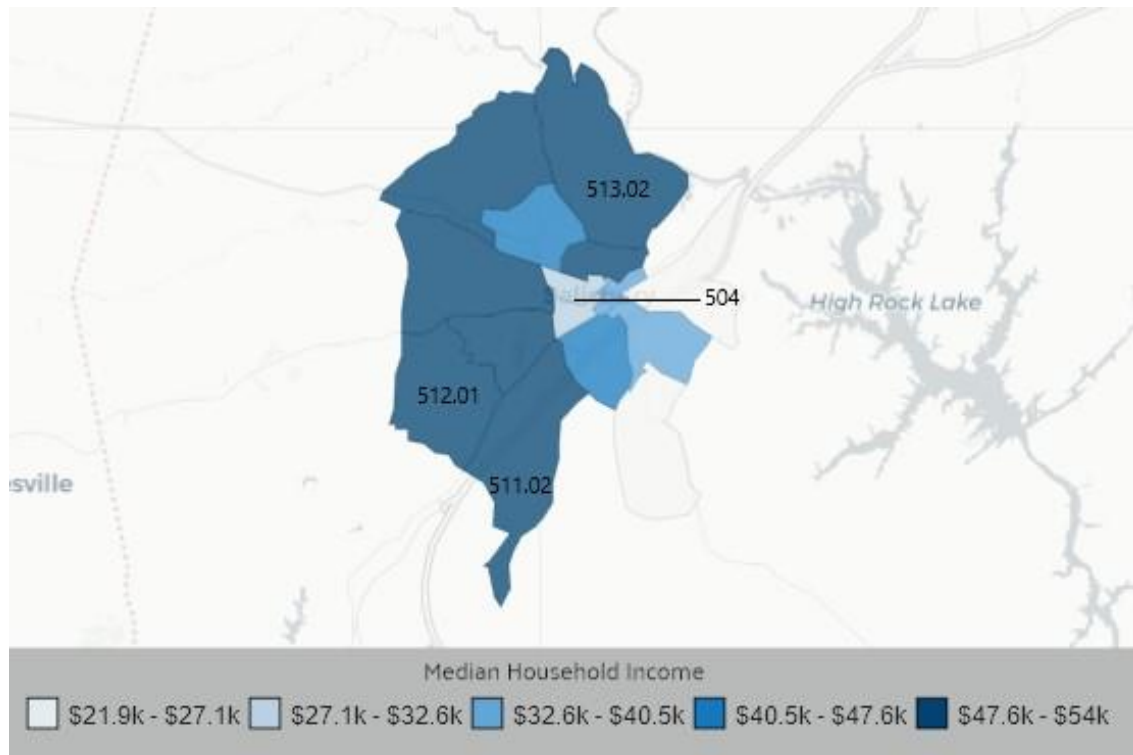
Figure 4. City of Salisbury Median Household Income



Source: U.S. Census Bureau, 2010-2017.

Census tracts are the basic geographic unit used to analyze the characteristics of the population and neighborhoods. In 2017, the location with the highest MHI (total) in Salisbury was Census Tract 513.02 with a value of \$54,031, followed by Census Tract 512.01 and Census Tract 511.02, with respective values of \$53,605 and \$51,453. Census Tract 504 is the location with the lowest MHI, with a value of \$27,098. Figure 5 shows these neighborhoods color-coded and the MHI for each (U.S. Census Bureau, 2017). Historically, lower-income neighborhoods have been clustered towards the center of the city. As communities spread into the suburbs, these clusters continue to exist because the families there cannot afford to move. Living in these poorer neighborhoods adds burdens to low-income families, including poor housing conditions, higher crime rates, and fewer job opportunities.

Figure 5. 2017 Median Household Income Map



Source: U.S. Census Bureau, 2017; Data USA.

In addition to census tracts, the Census Bureau uses a set of income thresholds that vary by family size and composition to determine the families that are classified as impoverished. If a family's total income is less than the family's threshold, then that family is considered to be living in poverty (impoverished). In 2017, the percentage of the population in Salisbury living below the poverty line was 22.9% (6,874 of 30,081 people). This is higher than the national average of 13.4%. The largest demographic group of persons living in poverty are females aged 25 to 34, followed by females aged 35 to 44. Furthermore, 2,337 of the total households (18.5%) are female-led households (with no husband present) living in poverty. In addition, 11.9% of total households are female-led with children (of the householder) under the age of 18 residing in the household. This demographic of female-led households warrants special considerations related to housing conditions and affordability. Special programs, such as home buyer assistance, unique

housing design options, or community support, can facilitate easier access into the housing market for these demographics (U.S. Census Bureau, 2017).

Rental Housing Market

Renters Market Analysis

Changing rental demand, the supply of rental housing, and how these dynamics affect access to affordable rental housing for the City of Salisbury's lowest-income households are discussed in this section. The report addresses conditions in 2017, the most recent data available from the American Community Survey 5-Year Estimates and compares that data to trends reported in previous years.

Median Gross Rent Market Parameters

The median earnings for workers in the City of Salisbury in 2017 was \$24,057. The median gross rate of rental housing was \$761 per month (U.S. Census Bureau, 2017). This means that an average worker in Salisbury will pay roughly \$9,132 (nearly 38% of the median earnings) on rent in a year, not including other household related costs such as groceries, insurance, childcare, and transportation expenses. This amounts to over a third of a person's total income spent only on rent. A household is considered cost-burdened when it spends more than 30% of its income on rent and utilities and is severely cost-burdened when it spends more than 50% on rent and utilities.

Higher-income households are free to occupy rental homes in the private market that are also affordable to lower-income households. Because of the shortage of affordable and available rental units, many lower-income households spend more on housing than they can afford and sacrifice other necessities, such as groceries and health care.

In 2017, the average median gross rent in the United States was \$982, and the average median gross rent in North Carolina was \$844. In comparison, Salisbury's average median rent was about 22.5% less than the U.S. average and about 10% less than the North Carolina average. Future projections for 2033 indicate overall that North Carolina's average median rents will increase by almost 72% to an average of \$1,448. From 2017 to 2033, Salisbury's average median gross rent is expected to increase by \$305 (roughly 40%) from \$761 to \$1,066 (U.S. Census Bureau, 2017). Because median gross rents in Salisbury remains much lower than both the state and national averages, Salisbury has an opportunity to become a location for individuals and families seeking affordable housing options provided that units are available for rent (U.S. Census Bureau, 2017).

Compared to other HOME Consortium cities in 2017, Salisbury and Statesville have the lowest and most affordable median gross rents, with Salisbury's median gross rent slightly higher (\$761) than Statesville's median gross rent (\$713). The median gross rent in Concord and Kannapolis were roughly the same, with Concord's median gross rent slightly higher (\$858) than Kannapolis's median gross rent (\$848). The Town of Mooresville had the highest median gross rent at \$1,037 (U.S. Census Bureau, 2017). The graph shows median gross rents in HOME Consortium cities.

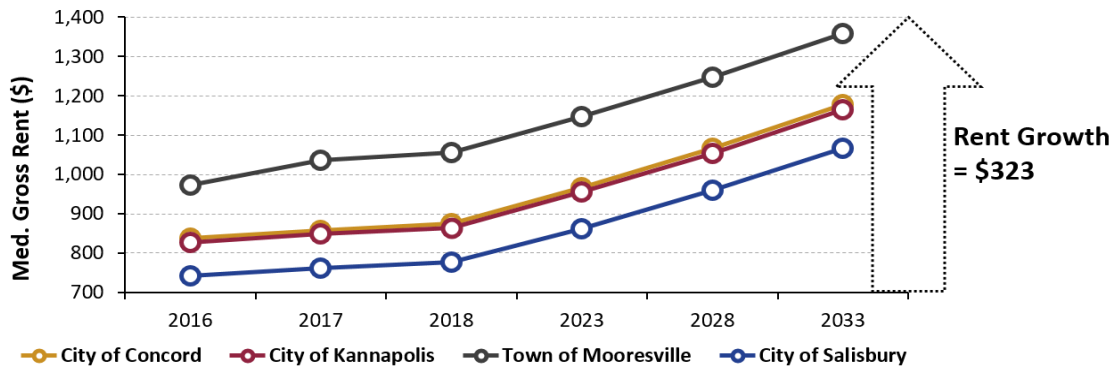
Median Gross Rent						
Locations	2016	2017	2018	2023	2028	2033
City of Concord	\$838	\$858	\$875	\$966	\$1,067	\$1,178
City of Kannapolis	\$827	\$848	\$865	\$955	\$1,054	\$1,164
Town of Mooresville	\$974	\$1,037	\$1,055	\$1,147	\$1,248	\$1,358
City of Salisbury	\$743	\$761	\$777	\$863	\$959	\$1,066

Source: U.S. Census Bureau, 2017.

Homeownership Market

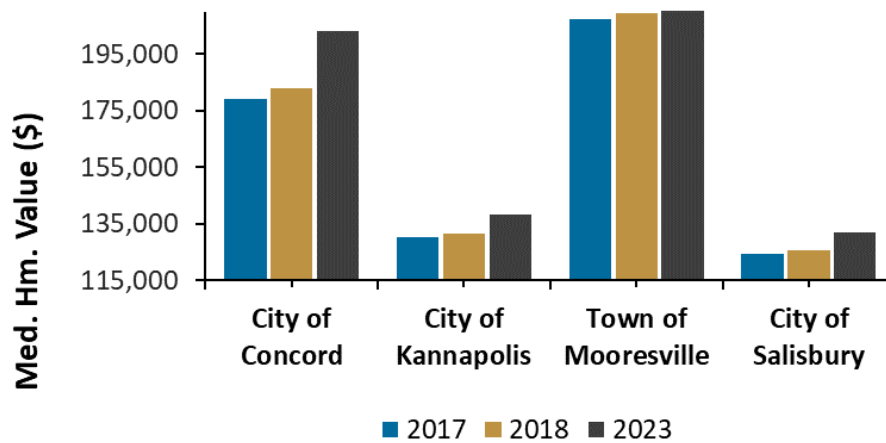
In 2017, the median home value in Salisbury was \$124,300, roughly 13% less than the average HOME Consortium median home value of \$143,400. Further, Salisbury is about 23% lower than the average North Carolina median home value of \$161,000 (U.S. Census Bureau, 2017).

Figure 6. Median Gross Rent Market Parameters for the City of Concord, Kannapolis, Mooresville, and Salisbury



Source: U.S. Census Bureau, 2017.

Figure 7. Median Home Values HOME Consortium Cities Comparison



Source: U.S. Census Bureau, 2017.

Median Home Value Market Parameters						
Locations	2010	2017	2018	2023	2028	2033
City of Concord	\$166,900	\$179,200	\$182,971	\$203,054	\$232,387	\$260,802
City of Kannapolis	\$123,700	\$130,300	\$131,603	\$138,316	\$283,491	\$297,952
Town of Mooresville	\$193,600	\$207,500	\$209,575	\$220,265	\$231,501	\$243,310
City of Salisbury	\$126,700	\$124,300	\$125,543	\$131,947	\$138,678	\$145,752

Source: U.S. Census Bureau, 2017.

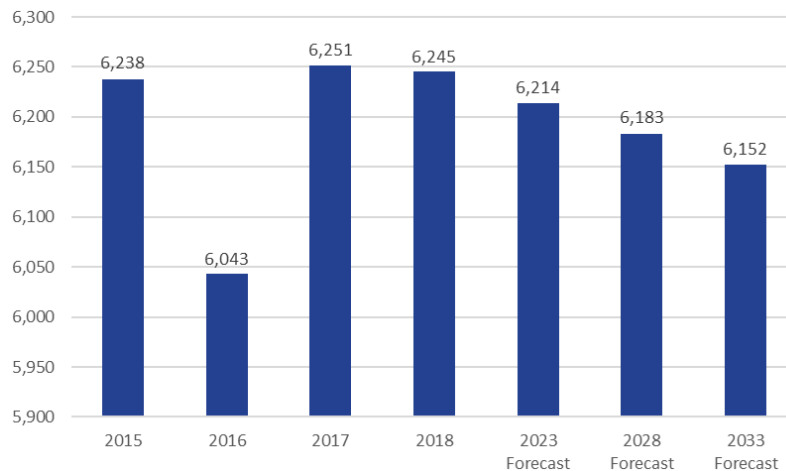
However, data obtained from the Zillow Home Value Index shows that the current median home value of an average single-family home is much higher than \$124,300. According to Zillow, as of September 20, 2019, the median home value in Salisbury has gone up 6.4% over the past year to roughly \$147,200 and will rise 3.3% within the next year. Additionally, based on Zillow estimates as of September 30, 2019, the median listing price of homes in Salisbury is \$199,900, while the median sale price of homes is \$144,600 (Zillow Home Value Index, 2019). Having higher than average home prices creates a further divide in homeownership and the income needed to afford these houses.

As demonstrated in the table above, according to the ACS Estimates, the median home value decreased by almost 2% from 2010 to 2017, from \$126,700 to \$124,300; however, from 2017 to 2023 this trend will reverse and the value is estimated to increase by about 17% (U.S. Census Bureau, 2017). Having higher than average home prices creates a further divide in homeownership and the income earning needed to afford these houses.

Since 2010, Salisbury home values have risen overall. In 2018, Salisbury had the lowest median home value of \$125,543 out of the HOME Consortium cities. Kannapolis had the second lowest median home value of \$131,603, followed by Concord with a median home value of \$182,971. The Town of Mooresville had the highest median home value of \$209,575.

Although Salisbury has the most affordable home prices, the number of homeowners in the city is decreasing, and this trend is projected to continue through 2033 (see Figure 8). From 2018 to 2033, the population is expected to increase by about 16% (from 33,897 to 39,353); however, homeownership is expected to decrease by roughly 1.5% (U.S. Census Bureau, 2017). This could be due to declining access to credit, as well as shortages of various housing types, such as starter-homes affordable to various income levels and ages. Amongst other strategies discussed in the Recommendations, Salisbury can broaden access to mortgage credit to reverse this negative trend and expand access to homeownership.

Figure 8. City of Salisbury Homeownership

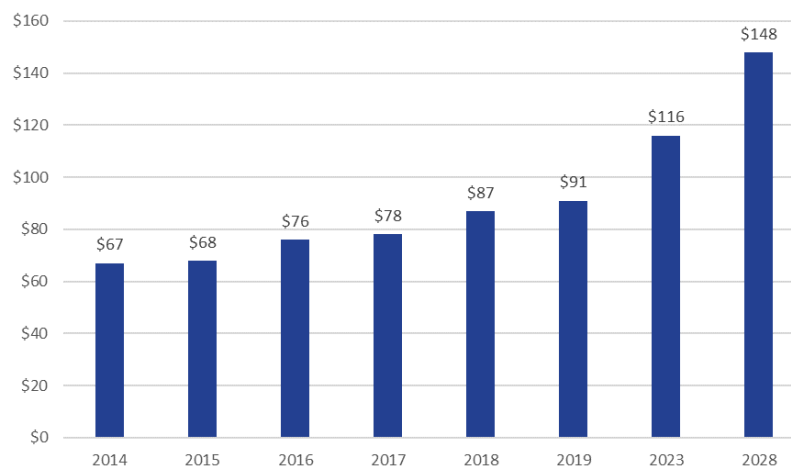


Source: U.S. Census Bureau, 2017.

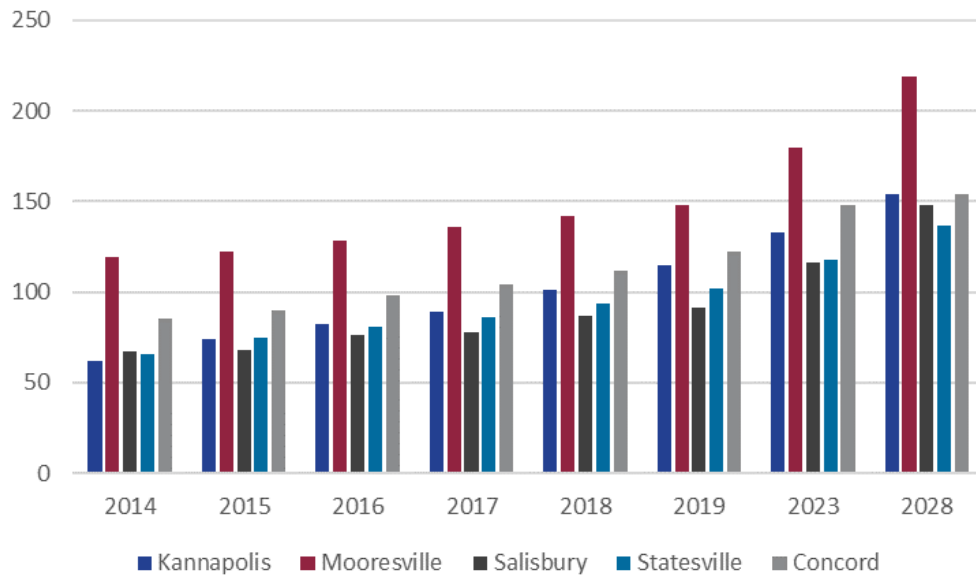
Cost per Square Foot

Like all HOME Consortium members, the cost of buying a home in Salisbury is steadily increasing. According to Multiple Listing Service data, from 2014 to 2017, the cost per square foot has increased by about 16%, from \$67 per square foot to \$78 per square foot and is expected to increase by almost 90% in 2028, to \$148 per square foot (Multiple Listing Service Data, 2014-2019). However, current Zillow estimates record the median list price per square foot in Salisbury as \$111, which is lower than the Charlotte-Concord-Gastonia MSA average of \$134 (Zillow Home Value Index, 2019). These costs are passed on to homeowners through the purchase price, further widening the affordability gap between homeownership and low-income buyers. In addition, the increase in price per square foot also becomes a challenge for affordable housing developers. Without adequate subsidies to offset costs, or other incentives promoting creation of affordable housing units, it makes it difficult to build housing at an affordable price. Even though the price per square foot is increasing, the Congressional Budget Officer is not projecting MHI increasing at the same rate.

Figure 9. City of Salisbury Price per Square Foot



Source: Multiple Listing Service Data, 2014-2019.

Figure 10. Price per Square Foot HOME Consortium Cities Comparison

Source: Multiple Listing Service Data, 2014-2019.

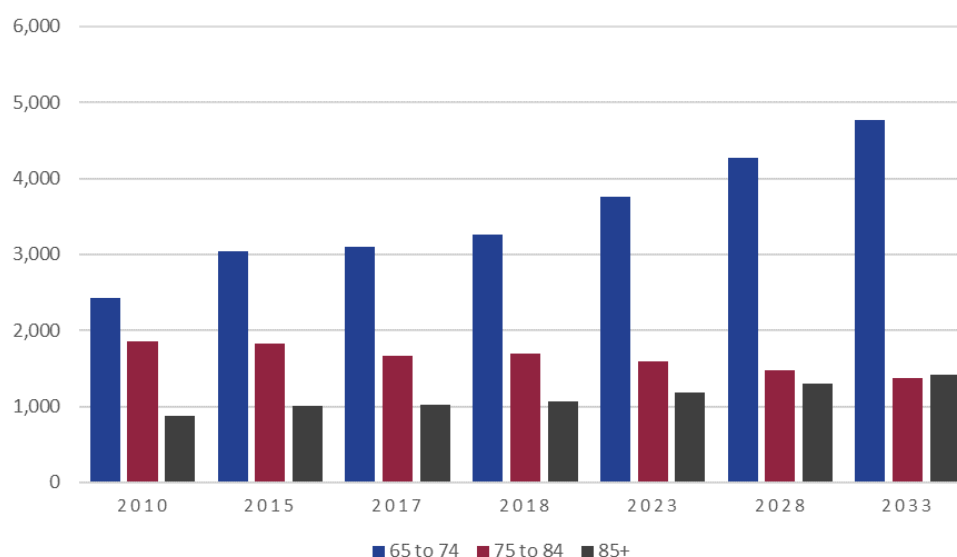
Senior Housing Market Analysis

The following section contains a market analysis of the demand for senior housing in Salisbury. Today, housing costs are a huge financial burden for many retirees, particularly low-income seniors. Nationwide, seniors' spending on housing exceeds that of health care—with adults over the age of 65 in 2017 spending more than a quarter of their income on housing. The U.S. Department of Housing and Urban Development defines a senior as a person who is 62 years or older; however, available data from the U.S. Census is available for individuals aged 65 and over. Therefore, for the purpose of this analysis, seniors are defined as individuals who are 65 years of age and older (HUD CPD, 2019).



Senior Population Trends

Figure 11 depicts the population trends of seniors in age groups 65 to 74 years, 75 to 84 years, and 85+ living in Salisbury. According to the U.S. Census Bureau, in 2017, approximately 17.3% of Salisbury's population was over the age of 65 (5,977 people) (U.S. Census Bureau, 2017). In general, from 2010 to 2017 there has been an increase in both seniors aged 65 to 74 years and seniors aged 85+ living in Salisbury. These trends are expected to continue to increase into the future.

Figure 11. City of Salisbury Senior Population Growth Trends

Source: U.S. Census Bureau, 2010-2017.

Overall, there were more individuals aged 65 to 74 years living in Salisbury from 2010 to 2018 than there are in the 75 to 84 age group. From 2018 to 2023, there is an anticipated increase in the number of persons in this group within the City of Salisbury.

Housing Needs for Seniors

By 2029, the U.S. will be home to 14.4 million middle-income seniors. Two-thirds of these seniors will have three or more chronic health conditions, Sixty percent (60%) will have mobility limitations, and 20% will have high health care and functional needs (West & Dubay, 2019).

In the U.S., close to 40% of very low-income elderly renters are not residing in subsidized housing and have rents that account for more than 50% of their incomes. The quality of nursing homes for Medicaid residents can also be poor, and assisted living is not covered as an entitlement in all states (West & Dubay, 2019).

In 2017 there were 24 senior housing facilities in Salisbury¹, including nursing care, 55+ living facilities, independent living, Alzheimer's care, assisted living, continuing care, adult day care, home care, and low-income affordable housing.

Because the senior population will continue to increase, municipalities are faced with several challenges, including where seniors will live and how they will obtain the support and care they will need as they age. Most seniors indicate that they would prefer to age in place, either staying in their current home or choosing from a range of affordable, age-appropriate housing options within their community (HUD, 2013). To make these options viable, the City of Salisbury should explore affordable housing options that allow residents to age in place and connect senior residents to the services they need. The creation of senior housing options that provide independent living choices should be an on-going focus of the City and could be explored through

¹ Based off Senior Living Data

a collaboration of community senior living groups, the Salisbury CDC, and other interested agencies.

Housing as a Social Determinant of Health

The layered, inextricably intertwined issues of housing and health are not new. Safe, quality, affordable housing is fundamental to a healthy life. Healthy homes can improve lives and provide a foundation of health for individuals and families, but unhealthy homes can just as easily undermine quality of life and even cause poor or substandard health, especially for seniors. Recommendations for improving housing outcomes for senior residents are discussed further in the recommendations portion of this study.

Gap Analysis

This section provides an overview of current and future conditions using projections and available data from the U.S. Census Bureau and HUD's Comprehensive Housing Affordability Strategy Data and defines the numbers of owner-occupied and rental-occupied housing units needed at various income levels to support anticipated growth in Salisbury. It is organized by as follows:

- Owner and Renter Market and Unit Availability
- Estimates of Housing Demand
- Characteristics of Owner-Occupied and Rental-Occupied Households
- Housing Costs and Affordability Conclusions

Owner and Renter Markets

While insufficient standards of quality and affordable housing in Salisbury have long been an issue for community stakeholders and residents, new concerns about economic opportunities or a diverse population have intensified. Research has documented how the housing market recovery has left neighborhoods throughout North Carolina grappling with very different types of neighborhood change and how in some communities, increased demand for housing may threaten neighborhood affordability and leave lower-income residents increasingly financially vulnerable or at risk for displacement. Owners and renters face increasing obstacles in being able to have quality housing choice options throughout Salisbury.

The affordable supply is shrinking in Rowan County- there are 50 units available for every 100 extremely low income renter households.

Affordability of Market Rents and Home Prices

Based on trends in area median income, rents, and prices, the gap between affordable and market-rate rents and home prices is widening. The average median income (AMI) for Salisbury HMFA has increased at an annual compound growth rate of only 0.1% per year since 2000. Since affordable rents and home prices are based on AMI, they have generally increased at comparable rates. In contrast, market rents have increased ten times faster than AMI, annually for the past five years, and the median home sales price has increased four times faster than AMI (Housing Mortgage Data Analysis).

Over the years, there has been a growing trend in the gap for affordable units among the extremely low-income population (ELI). Since 2000, the trend in Rowan County has been that the gap between the need and actual available units to serve the ELI population is growing tremendously. ELI households earn no more than 30% of the area median income. In Rowan County, the extremely low-income cutoff for a household of four was \$23,850 in 2014.

In a more practical application, an individual and or family earning a salary of \$23,850 equates to a monthly income of \$1,988, a weekly income of \$459, and an hourly wage of \$11.47. For example, based on the National Low Income Housing Coalition's 2019 Out of Reach report for Rowan County, a Teacher Assistant, who's median hourly wage is \$11.40, would be considered ELI (National Low Income Housing Coalition, 2019). Based off the average median rents and the median home prices, individuals and families with this level of income are priced out of both the rental and homeownership market in Salisbury.

Public Housing

Based on information provided by the applicable Consolidated Plan, information provided by HUD, and other available data, it is possible to make a reasonable effort to identify the housing needs of the low-income, very low-income, and ELI families who reside in the jurisdiction served by a public housing authority. This includes elderly families, families with disabilities, and households of various races and ethnic groups, and other families who are on the public housing and Section 8 tenant-based assistance wait lists. Most individuals who need and rely on public housing are extremely rent burdened. The identification of housing needs must address issues of affordability, supply, quality, accessibility, size of units, and location. The Salisbury Housing Authority (SHA) manages public housing and Section 8 vouchers within the City. The SHA owns and manages 545 apartments in eight housing developments within the city's jurisdiction. In addition to 545 public housing units, the Housing Authority owns and manages Fleming Heights, a Low Income Housing Tax Credit (LIHTC) development consisting of 32 apartments for seniors 55 years and older. Wait times are long for both public housing and Section 8 Voucher assistance, creating further delays in the most vulnerable populations being able to obtain affordable housing (City of Concord & the Cabarrus/Iredell/Rowan HOME Consortium, 2015).

Aging Housing Stock

An aging housing stock is another common element that can present a unique set of challenges for local governments. In Salisbury, a housing boom took place between 2000 and 2009. Because these units are nearly 20 years old, it is likely many need repair or be re-modeled to be livable. In total, the percentage of structures falling within this category equate to 16.17% for owner-occupied structures and 16.21% for renter-occupied. As shown in the table below, the greatest timeframes for construction of owner-occupied structures occurred between 1960 to 1979, with the twenty-year periods proceeding and immediately following this timeframe making up an additional 40% plus of the percentage of owner-occupied structures. When looking at renter-occupied structures, the greatest growth occurred between 1980 to 1999 at 25.78%, however, that only slightly exceeds the 25.43% experienced between 1960 to 1979.

In addition, 961 units built before 1939 may contain characteristics of historic significance, based on the age of the units, and these units could require a significant amount of upkeep and repair

(U.S. Census Bureau, 2017). These units are not solely occupied by LMI or ELI residents. Many of these units are occupied by middle-class persons who are unable to maintain these homes without the assistance of certain federal housing-repair programs. An aging housing stock without the means to afford the necessary repairs could increase the vacancy rates within various communities throughout the City. Salisbury must evaluate its current programs to be better prepared to address the anticipated housing rehabilitation needs that will continue to increase over the next five-to-ten years.

	Salisbury Year Structure Built			
	Owner-Occupied	% of Owner-Occupied	Renter-Occupied	% of Renter-Occupied
Built 2010 or later	95	1.52%	150	2.34%
Built 2000 to 2009	1,011	16.17%	1,038	16.21%
Built 1980 to 1999	1,344	21.50%	1,651	25.78%
Built 1960 to 1979	1,488	23.80%	1,628	25.43%
Built 1940 to 1959	1,352	21.63%	1,066	16.65%
Built 1939 or earlier	961	15.37%	870	13.59%
Total:	6,251	-	6,403	-

Source: U.S. Census Bureau, 2017.

Vacancy Analysis

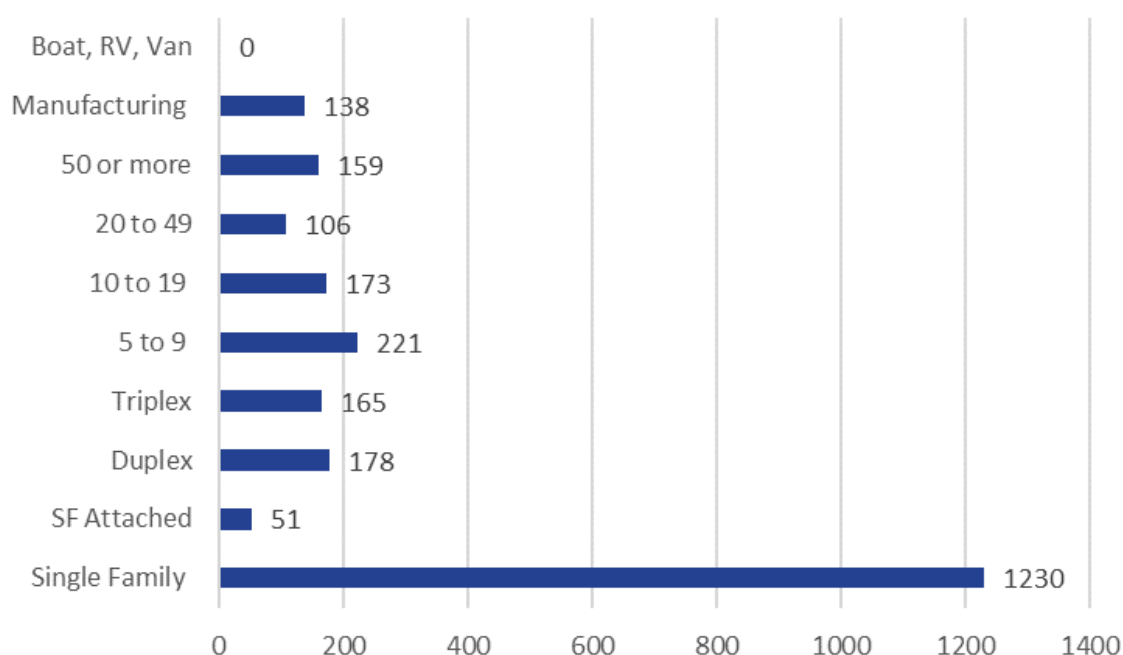
The most commonly used measure to assess available housing supply is the vacancy rate. The U.S. Census defines vacant units as a housing unit with no one living in them at the time of the Census interview, temporary units where the usual residence is elsewhere (such as vacation homes), and new units not yet occupied (U.S. Census Bureau, 2017). However, vacancy rates do not indicate if an available unit is in adequate condition.

In 2017, the City of Salisbury had 2,421 units reported vacant. Out of these, 304 were vacant owner-occupied units and 721 were vacant rental units. 1,053 units were classified as “other vacant.” As demonstrated in the table below, of the HOME Consortium Cities, Salisbury has the third most total vacancies. The unit type with the most vacancies are single-family homes (just slightly below 51%), followed by multi-family buildings with 5 to 9 units. The least amount of vacancies noted in Salisbury are in townhouse/single-family attached dwellings. Overall, among the HOME Consortium, Mooresville had the fewest owner-occupied vacancies and the highest cost for owner-occupied housing, and Concord had the highest owner-occupied vacancies. All cities within the HOME Consortium reported zero vacancies in boat, RV’s and vans (U.S. Census Bureau, 2017). Salisbury’s total vacancy rate of 19.7% exceeds the State of North Carolina’s average of 15%. In comparison, the City of Kannapolis had a higher average than the State of North Carolina, with a vacancy rate of 22.6% (U.S. Census Bureau, 2017).

2017 Analysis of Vacant Housing Units					
Unit Type	Salisbury	Concord	Kannapolis	Mooreville	Statesville
SF Units	1,230	1,589	1,763	779	1,148
Townhouse/SF Attached	51	30	48	111	9
Duplex	178	118	0	24	89
Triplex/Quad	165	24	22	0	95
Multi-family 5 to 9 units	221	258	236	143	162
10 to 19 units	173	249	161	50	57
20 to 49 units	106	170	56	52	0
50+ units	159	42	0	0	0
Manufactured Housing	138	0	201	0	0
Boat, RV, Van	0	0	0	0	0
Total Vacant Units	2,421	2,480	2,487	1,159	1,560
Vacant Share of Total Housing Units	16%	3.2%	12.9%	8%	13.9%
Substandard Units	476	338	561	242	430

Source: U.S. Census Bureau, 2017.

Figure 12. 2017 City of Salisbury Vacancy by Unit Type



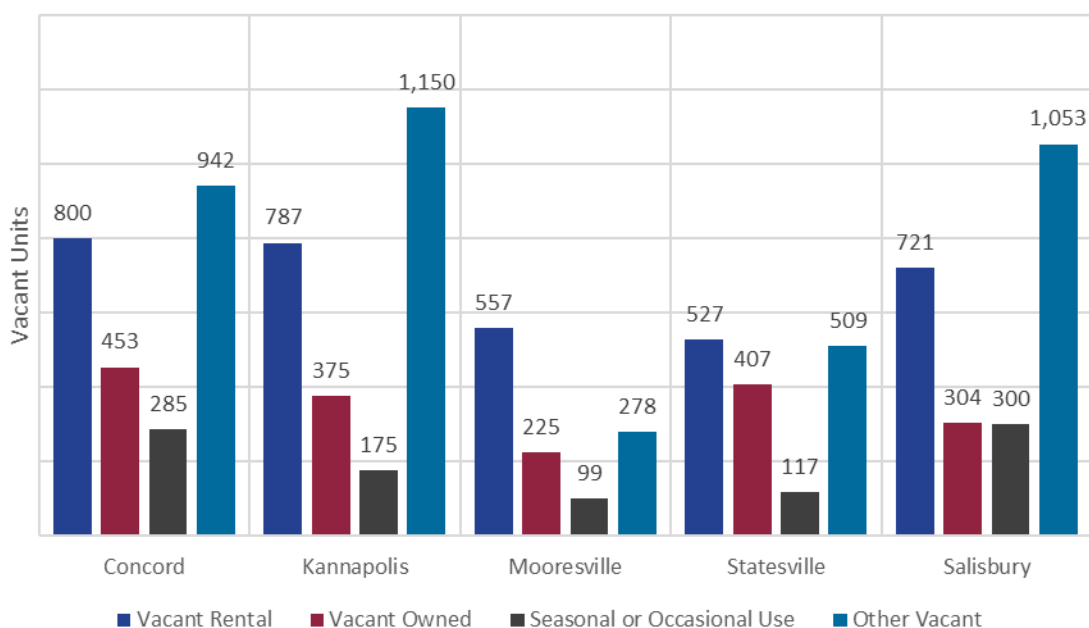
Source: U.S. Census Bureau, 2017.

In 2017, out of the 2,421 vacant housing units, 476 (about 20%) of those unit are categorized as substandard housing units. Substandard housing refers to residential spaces with structural and other physical deficiencies that do not meet health and safety requirements and poses a public health and safety hazard to the well-being of its occupants and neighborhoods. As demonstrated in the 2017 Analysis of Vacant Housing Units table on the previous page, Salisbury had the second most substandard vacant units, behind the City of Kannapolis, with 561 vacant units. Mooreville

had the least amount of substandard vacant units (242) (U.S. Census Bureau, 2017). Substandard housing and its effect on residents of Salisbury is discussed more in the Barriers Analysis of this report.

Properties may become vacant for a variety of reasons, some of which are relatively benign. A property that is for rent or sale can be vacant for a short time and a vacation home might be vacant for most of the year. If these properties are well maintained by responsible owners, they will not become eyesores or depress neighboring property values. In general, a vacant property becomes a problem when the property owner abandons the basic responsibilities of ownership, such as routine maintenance or mortgage and property tax payments. Some properties become vacant through other means such as foreclosure and or purchased by companies and or individuals who are out of state and are not taking measure to get (and keep) the home occupied and well-maintained.

Figure 13. 2017 Vacant Housing Units Analysis HOME Consortium Comparison



Source: U.S. Census Bureau, 2017.

Apartment Vacancy Analysis

In 2017, apartment vacancy rates declined from the previous year and have dropped significantly since 2013. Of the 2,421 total vacant units in 2017, 27% of those units were in a multi-family development, with units ranging from 5-9 units making up 9.1%, 10-19 units at 7.1%, 20-49 units down to 4.4% and for developments greater than 50 units, the rate is 6.6%. When duplex and triplex/quad units are added, the overall percentage of vacant multi-family units increases to 41.4%. (U.S. Census Bureau, 2017).

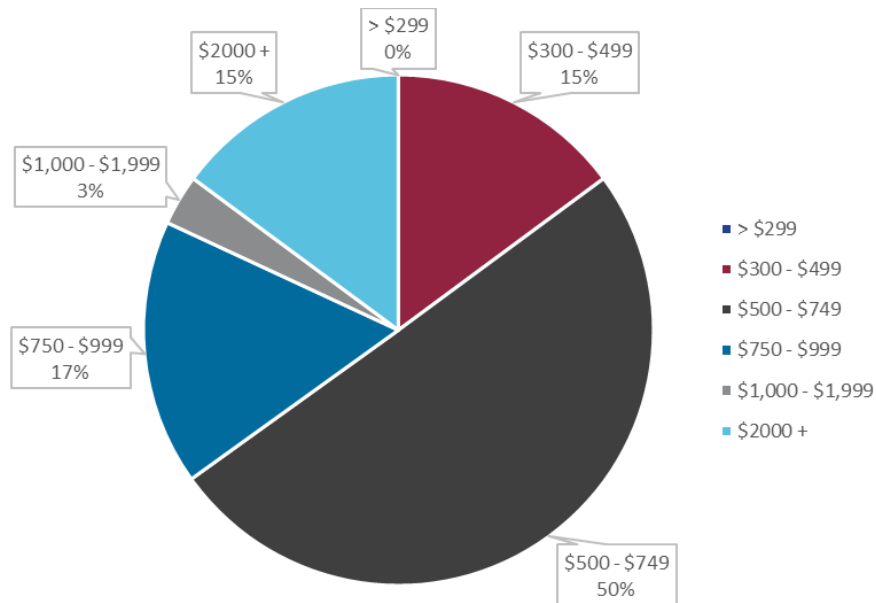
In 2017, the Mooresville/Statesville market area, which includes Lake Norman, accounted for more than 40% of the apartment construction in the submarket. However, during the past year more apartment construction has occurred in the Concord/ Kannapolis/ Salisbury market area. This increase in construction activity has led to improvements in the communities' public

transportation infrastructure to provide service to those residing in new developments. These improvements also have increased residents' access to the downtown Charlotte area (U.S. Census Bureau, 2017).

Rental Rates Comparison

In 2017, rental data for vacant housing units in Salisbury show that a majority of vacant rental units are within the \$500 to \$749 range. 15% of vacant rental units are within the \$300 to \$499 rental range and no vacant units in which rent was being asked for less than \$299 (U.S. Census Bureau, 2017).

Figure 14. 2017 City of Salisbury Vacant Unit Rental Prices



Source: U.S. Census Bureau, 2017.

This shortage of affordable housing affects individuals and families who are on fixed incomes, who are working in lower-wage industries, and those who live below the poverty line. The lack of affordable housing prevents low-income households from meeting other basic needs such as nutrition and healthcare or saving for their future and that of their families. Additionally, when comparing vacancy rates with neighboring jurisdictions, demand is less in the higher rent categories. This data clearly shows the need for more affordable units.

Cost Burdened in Salisbury

The U.S. Department of Housing and Urban Development defines cost-burdened families as those “who pay more than 30% of their income for housing” and “may have difficulty affording necessities such as food, clothing, transportation, and medical care.” Severe rent burden is defined as paying more than 50% of one’s income on rent (U.S. Department of Housing and Urban Development, 2014).

To calculate affordability, municipalities use the Area Median Income (AMI), the midpoint of a region’s income distribution, and compares a family’s income to a percentage of the AMI. Depending on their household size, families earning 30% of AMI are considered extremely low-

income, families earning between 31% and 50% of AMI are considered very low-income, and families earning between 51% and 80% of AMI are considered to be low-income (U.S. Department of Housing and Urban Development Office of Policy Development and Research, 2019). For reference, in Salisbury, the Area Median Income (AMI) of a family of four is \$59,700. If this family earns 30% of AMI, the annual salary is \$25,750, categorizing them as extremely low-income. At 50% (or considered to be very low-income), that annual salary increases to \$29,850. Consider a very low-income family in Salisbury that earns approximately \$27,460 a year, or approximately 46% of the AMI. If 50% of the family's income is dedicated to rent, the family has only about \$264 per week left to cover all other basic expenditures including food, clothing, medical costs, and transportation (U.S. Department of Housing and Urban Development Office of Policy Development and Research, 2019).

To analyze cost-burden for this study, we used Comprehensive Housing Affordability Strategy (CHAS) data on Salisbury from 2010-2015, the latest period available. This data demonstrates the extent of housing problems and housing needs, particularly for low-income households. Local governments use CHAS data to plan how to spend HUD funds and may also be used by HUD to distribute grant funds.

Characteristics of Owner-Occupied and Rental-Occupied Households

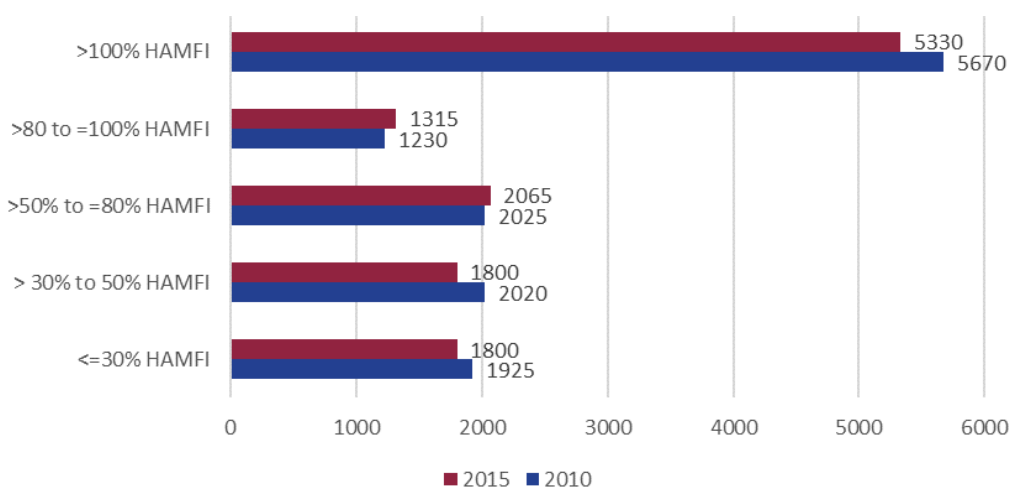
Income and Cost Overburden in Salisbury

An analysis of trends from 2010 to 2015 in cost-burdened and extremely cost-burdened households was completed using HUD Area Median Family Income (HAMFI). Cost-burden is the ratio of housing costs to household income. In this analysis, renter housing cost is gross rent and owner housing cost includes mortgage payment, utilities, association fees, insurance, and real estate taxes.

The City of Salisbury saw roughly an 11% increase in the number of persons who were classified as having at least 30 to 50% of HAMFI² (HUD Area Median Income) from 2010 to 2015. However, there was a 6% decline in the number of individuals that were over 100% HAMFI, indicating that some households moved to below 80% of HAMFI or less (U.S. Census Bureau, 2010-2015; HUD CHAS Data).

Household incomes are not keeping pace with escalating housing cost, especially for lower income families.

² HUD Area Median Family Income. This is the median family income calculated by HUD for each jurisdiction, in order to determine Fair Market Rents (FMRs) and income limits for HUD programs.

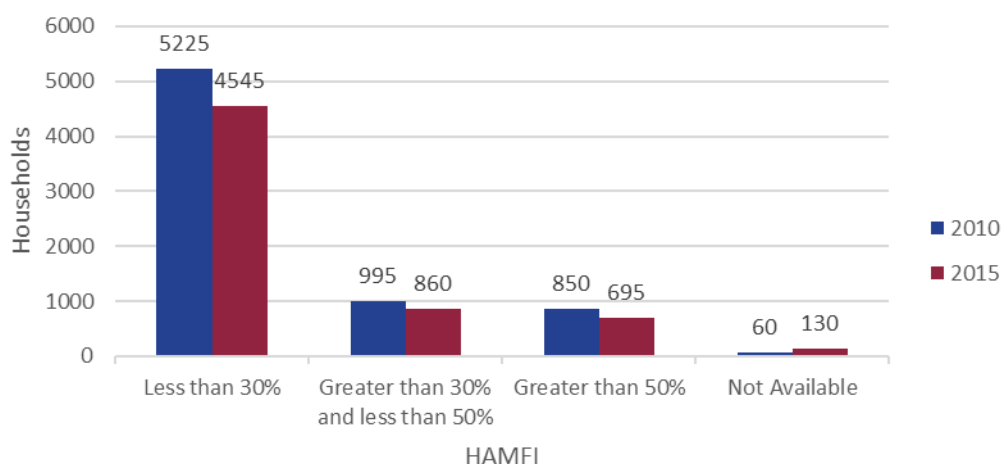
Figure 15. 2010-2015 City of Salisbury Household Income Distribution

Source: U.S. Census Bureau, 2010-2015; HUD CHAS Data.

Both owners and renters earning less than 30% of AMI were extremely cost-burdened in Salisbury between 2010 and 2015. Salisbury renters saw a significant increase in the number of persons who moved from being less than 50% of HAMFI to 80% (U.S. Census Bureau, 2010-2015; HUD CHAS Data).

Cost Burdened Owner-Occupied Housing

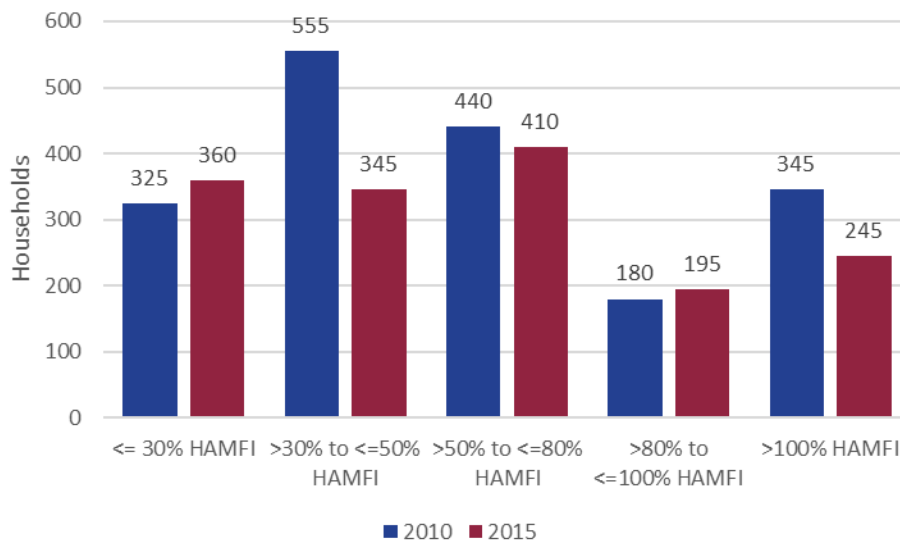
In this analysis, owner housing cost includes mortgage payment, utilities, association fees, insurance, and real estate taxes. Many homeowners between 2010 and 2015 were in economic recovery due to the foreclosure crisis. During this time, the total number of owner-occupied households considered to be cost-burdened decreased by -12.5% (HUD CHAS Data; U.S. Census Bureau, 2010-2015). Figure 16 below illustrates an overview of trends experienced throughout all owner-occupied household classifications. Figure 20 and Figure 21 below, provide visual depictions of trends in cost burdened owner-occupied households whose housing costs are greater than 30% and 50% of their income.

Figure 16. City of Salisbury Owner-Occupied Household Income Cost Burden Overview

Source: U.S. Census Bureau (2010-2015); HUD CHAS Data.

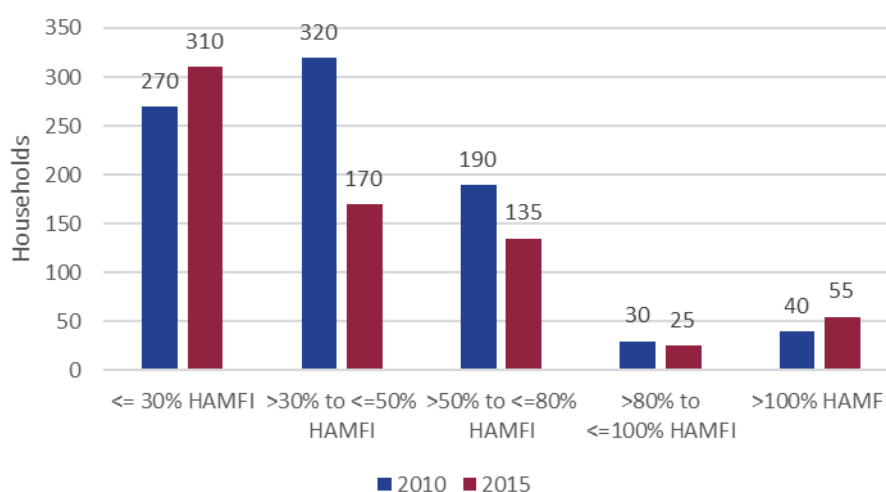
In both 2010 and 2015, the majority of cost-burdened homeowners were those who make less than 30% of HAMFI. However, from 2010 to 2015, this group did see a -13% decline in the number of households considered cost-burdened. In Salisbury, the decline in the number of cost-burdened owner-occupied households for all reportable categories may indicate that wages potentially went up in these groups thereby reducing the financial strain on housing cost for owners during the 2010-2015 time period. Data also indicates, however, that homeownership is declining, so the reduction of cost-burdened owners could also indicate the number of owners that moved from ownership to renters as a result of being “overly” cost burdened as a homeowner. Housing mortgage data during 2010 to 2015 does not show a significant increase in new mortgages, but an increase in the number of homeowners who opted to refinance their existing mortgages, which may have made their homes more affordable to remain in for the long term.

Figure 17. City of Salisbury Owner-Occupied Household Income by Cost Burden >30%



Source: U.S. Census Bureau (2010-2015); HUD CHAS Data (Extremely Cost Burdened included).

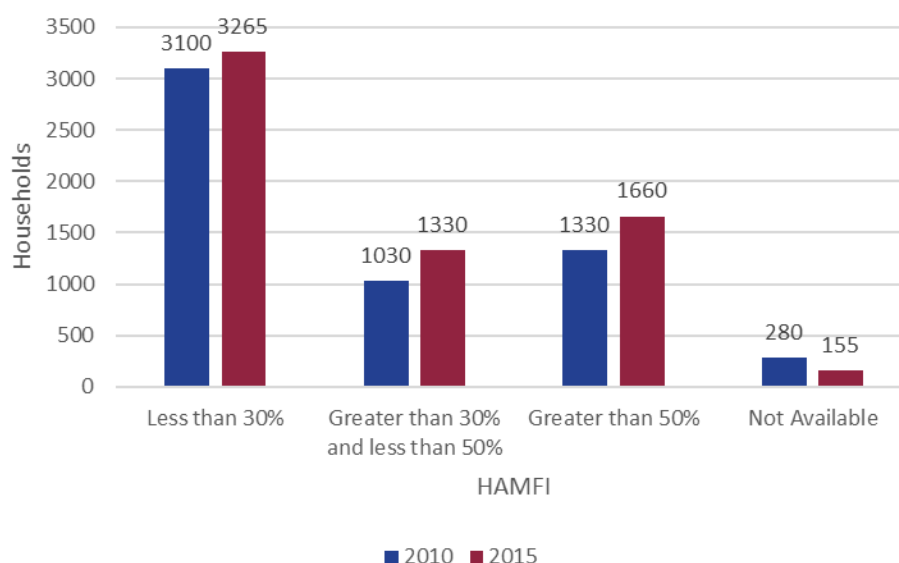
During the same five-year period, for those households experiencing cost burden greater than 50%, similar trends exist as those at the 30% level. As Figure 18 demonstrates, the very low-income (<=30% HAMFI) households, cost-burden increased by 14.8%. The other household category wherein an increase in cost-burdening occurred is the >100% HAMFI wherein the increase was 37.5%. For the low-income (>30% to <=50% HAMFI), the number declined by -46.9%, nearly half of the affected households (from 320 down to 170 households). (HUD CHAS Data; ACS Data 2010-2015), potentially correlating to improvements in the local economy.

Figure 18. City of Salisbury Owner-Occupied Household Income by Cost Burden >50%

Source: U.S. Census Bureau (2010-2015); HUD CHAS Data.

Cost-Burdened Renter-Occupied Housing

In 2017, the median gross rent was \$761 a month. In Salisbury, an individual working making less than \$960 a month would be considered cost-burdened when renting an apartment or home at or above the median rent of \$761 (U.S. Census Bureau, 2017). Figures 19, 20, and 21 illustrate the degree to which rental households experience varying “cost burdened” levels in Salisbury. As demonstrated in Figure 19, despite the increases in median household income from 2010 to 2015, the number of households classified as cost-burdened and extremely cost burdened increased.

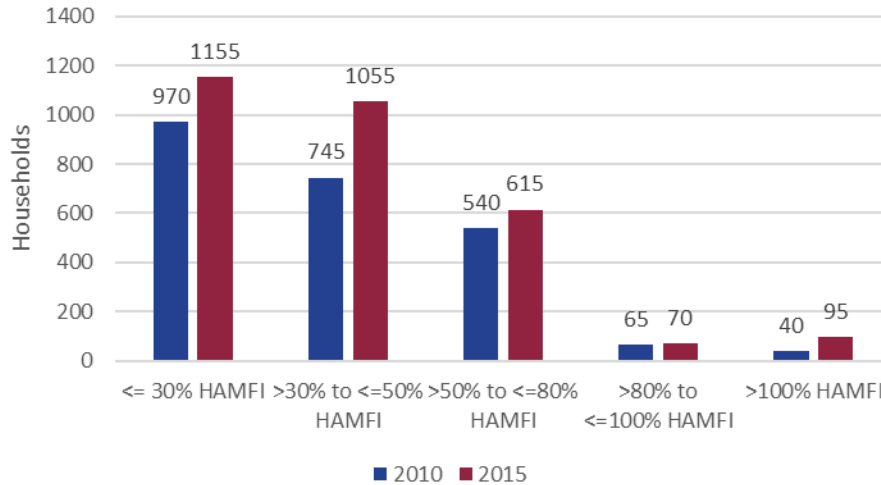
Figure 19. City of Salisbury Renter-Occupied Household Cost Burden Overview

Source: U.S. Census Bureau (2010-2015); HUD CHAS Data.

Both “cost-burdened” households (those with cost-burden greater than 30%) at the extremely low income and low-income levels experienced increasing affordability pressures. In Salisbury,

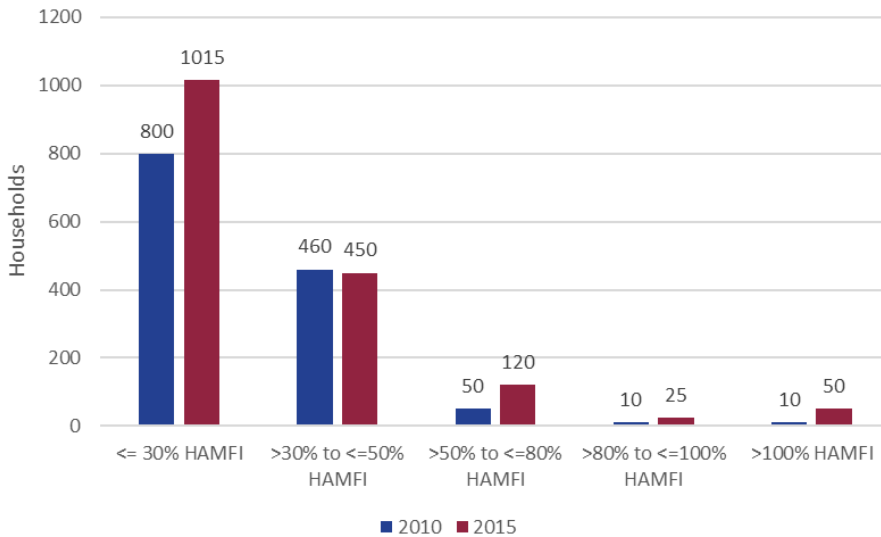
all rental households experienced an increase in the degree of burden from 2010 to 2015, with the greatest increases experienced in the top income levels >100% HAMFI, which saw a 137.5% increase. Of concern, however, is the increase experienced in the >30% to ≤50% HAMFI households, where the percent increase from 2010 to 2015 was over 40% (41.6%) (U.S. Census Bureau, 2010-2015; HUD CHAS Data).

Figure 20. City of Salisbury Renter Household Income by Cost Burden > 30%



Source: U.S. Census Bureau (2010-2015); HUD CHAS Data.

Figure 21. City of Salisbury Renter Household Income by Cost Burden > 50%



Source: U.S. Census Bureau (2010-2015); HUD CHAS Data.

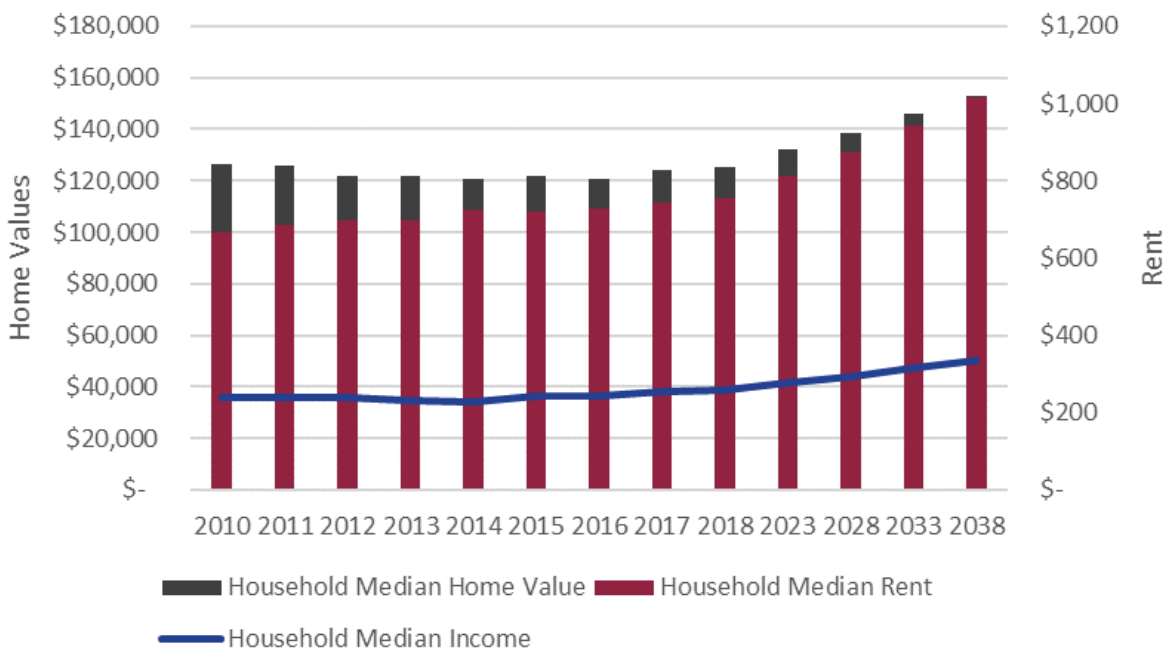
For the extremely cost-burdened households spending more than 50 percent of their income on housing, the total increase for all groups equaled 24.8%. All levels increased for the period from 2010-2015 with exception of a small decrease of 2.2% for the >30% to ≤50% HAMFI levels. However, overall, all income levels continue to face affordability concerns when the cost-burdened figure approaches greater than 50% (U.S. Census Bureau, 2010-2015; HUD CHAS Data).

Wages and Housing Rates

Wages are not increasing at the same rate as housing costs, and rents continue to increase, while wages stay roughly the same. The imbalance between the demand for affordable housing and the supply of low-cost rentals can be seen in metropolitan areas throughout North Carolina, including Salisbury. Renters bear the greatest burden and risk associated with housing cost burdens. Increasing rents with limited wage increases will further expand the financial divide for residents who need affordable housing. It will also significantly affect single-head households reliant on one income to support the household.

As seen in Figure 22, median home values declined slightly between 2010 and 2017. In comparison, however, rental rates generally continued to increase.

Figure 22. City of Salisbury Household Median Income, Rent, and Home Values



Source: U.S. Census Bureau, 2010-2015 (American Community Survey 5-Year Estimates).

The data indicate that rental households in Salisbury are more likely to be cost-burdened than owner-occupied households. The rental/owner-occupied household numbers in the City are relatively split and represents a unique dynamic, and it may be telling that there is a fluidity between the two segments related to affordability.

Missing Middle Class Trends

While housing affordability has long been a problem for low-income families, median income households also deal with affordability challenges. When housing costs rise, households can respond by adjusting their consumption, for example, living in smaller spaces or moving farther from city centers.

It is easier to focus on the extremes of the housing shortage, due to rising levels of poverty and homelessness. However, the creeping cost of housing is also affecting middle-class residents. This

“middle-class squeeze,” as a 2014 report by the Center for American Progress illuminated, was about new constraints, and how “the costs of key elements of middle-class security rose by more than \$10,000 in the 12 years from 2000 to 2012, at a time when family income was stagnant” (Sisson, 2019)

Using household-level data from the Census Bureau’s Individual Public Use Microdata Sample (IPUMS), it is possible to explore briefly how housing stresses vary by income, household type, race, and geography. Results show that, generally, middle-income families show stress in several measures, including affordability, crowding, long commute times, and access to homeownership (Schuetz, 2019).

Housing can enhance well-being or create hardship through several channels. Each household makes multiple complex choices when picking a home: how much of its monthly budget to spend on housing compared to other goods and services, the size and quality of the home, proximity to work, and other neighborhood characteristics. Compromise on one dimension does not necessarily raise concerns. For example, some households strongly value having a larger home and are willing to commute longer distances to afford extra space. For policymakers, understanding housing choices made by groups of similar households can provide insight into how well local housing markets are working.

Having a stable, decent home in a safe, healthy community is critical to overall well-being. Housing is the largest single expenditure in most family budgets, more than double the amount spent on either transportation or food. Residential stability provides the foundation for participating in other economic and social activities. Where families live have wide-ranging consequences for their well-being. Location affects access to jobs, transportation, and social networks, as well as the quality of local services such as schools and public safety. Public health researchers have tracked the increasing correlation of location with a variety of health outcomes. Home equity is by far the largest financial asset for most middle-income households (Sisson, 2019).

Historically in the U.S., high-income households have chosen to occupy large homes in the suburbs, while lower-income—and especially minority—households live in center cities where public transportation infrastructure is better. Few people enjoy commuting; longer commutes are unpleasant both for individuals and for society because of the environmental impacts. In contrast, many middle-class families see longer commutes as a tradeoff to large affordable housing that is often located outside of city centers.

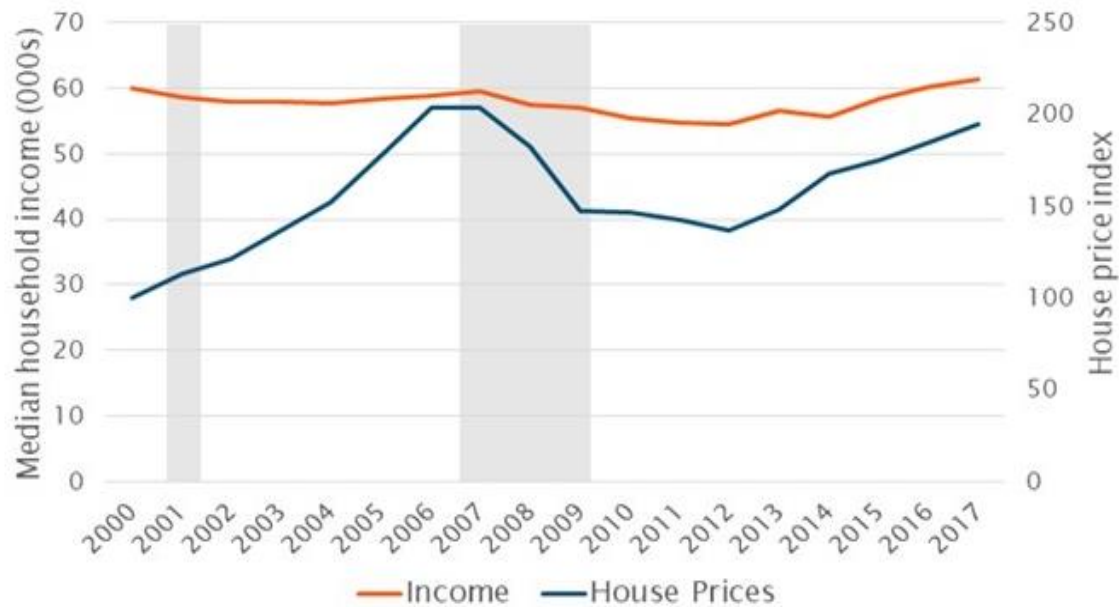
According to Census data, in 2017, 23% of Salisbury’s median income households earning between \$35,000 and \$49,999 (or 130% to 160% AMI), were cost burdened, spending more than 30% of income on housing (U.S. Census Bureau, 2017). This trend may have implications on housing, including, but not limited to:

- Necessary improvements may be delayed or not completed at all, affecting the overall quality of the housing stock;
- Transitions through housing levels, opening more affordable options, may not occur; and
- House prices may increase due to the demand and lack of supply related to the two points above.

Understanding that middle-class families are facing implications beyond housing—with adverse effects on the entire economy—municipalities must craft policies to alleviate hardships for their residents of all income groups. Examples include:

- Investment in jobs and economies powered by skilled workers;
- Investment in high-quality and affordable early childhood programs; and
- Improve access to high-quality and affordable health care.

Figure 20. Real Median Household Income and House Price Index. Housing prices have risen faster than income.



Source: Real median household income in the United States, 2017 CPI-U-RS Adjusted Dollars, Annual, Not Seasonally Adjusted S&P/Case-Shiller 20-City Composite Home Price Index, Index Jan 2000=100, Federal Reserve Economic Data. Grey bars indicate economic recession

B | Future of the Middle Class Initiative

Source: Schuetz, 2019.

Trend and Need Analysis

Trends of Extremely Low-Income Families

Data from HUD's Comprehensive Housing Affordability Strategy and the U.S. Census Bureau show an increase in the number of extremely low-income families in Salisbury, those households earning less than 30% of the area median family income. Extremely low-income households can be more than twice as likely to experience housing affordability problems than low-income households, and more than six times as likely than moderate- to upper-income households. This need is not being off-set by new affordable housing development, nor by significant increases in homeownership.

If this trend were to continue, Salisbury could experience correlating problems, including:

- ***Increases in the Homeless Population.*** The ELI population is growing in numbers; however, the number of housing units available at affordable price points are exceedingly rare. Without addressing this issue, there will be an increase in the homeless population in the City of Salisbury and surrounding cities.
- ***Greater Need for Public Benefit.*** With incomes not increasing and greater populations needing more subsidy, increases in public housing waitlist, requests for Section 8 assistance, and public housing assistance will grow within the City. This trend indicates that there is a serious need within the city to address need for housing for persons who are ELI and also take a closer look at income disparities, job opportunities, and potentially look for ways to increase homeownership for lower income families.

Vacancy Trends and Needs

High vacancy rates, combined with the condition of the housing stock, in Salisbury compared to other surrounding cities are keeping rents and home prices in Salisbury relatively low. Salisbury should further explore creative solutions to address this growing problem. Examples of solutions could be new financing tools, inclusionary zoning strategies that link affordable housing with market rate housing, incentives with nonprofits or developers, and finding a way to use the new state legislation of receivership to put families back in vacant properties.

Housing Trade Offs Trend

Studies show that low- to moderate-income families tend to spend up to 50% of their income on housing. According to HUD, any family that spends more than 30% of their income is considered cost-burdened and uses this percentage as an “*income measure*” to determine housing costs. There is a concern about understanding the share of income measurement being used. The issue with the “share of income measure” is that it does not take into account the tradeoffs families make to reduce housing costs. A family may choose to live in a poor-quality home, in a crime-ridden area, or long distance from home work opportunities to reduce housing costs. According to a study by the Joint Center for Housing Studies, “[t]hese added costs [of tradeoffs] are not now captured by the simple approach of measuring only the share of income households spend on their housing” (Airgood-Obrycki & Molinsky, 2019).

Even if percentage of income were considered an adequate means of measuring affordability, the research is inconclusive on which inputs should be used to calculate the affordability ratio. The surveys used for measuring rental burden are often self-reported measures of income and expenses including rent and utilities. Underreported income, as well as the difference between pre-tax and post-tax income, can have an adverse impact on the data. In their analysis of American Housing Survey data, John Weicher, Frederick Eggers, and Fouad Moumen note, “Low-income households, in particular, often have large year-to-year swings in income” (Weicher, Eggers, and Moumen, 2017).

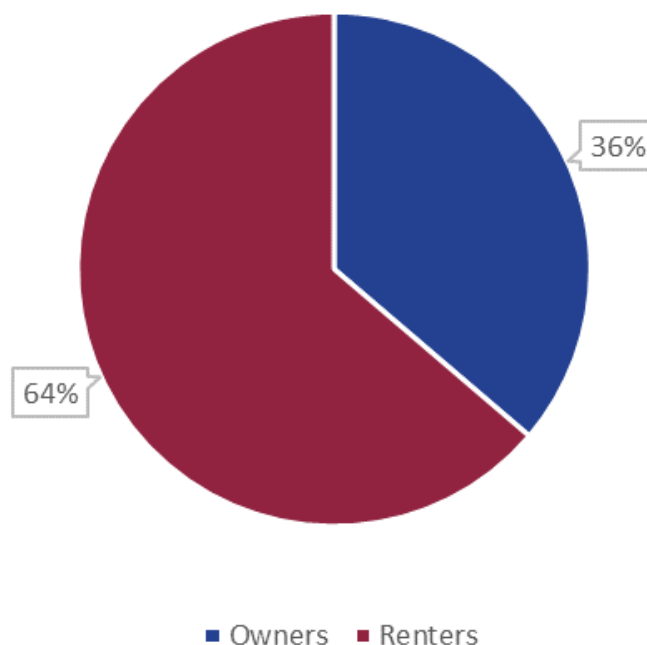
Barriers Analysis

The level of affordability of a home will be relative to the total household income; however, barriers to affordable housing can reasonably be grouped into four (4) primary categories: housing quality, systems barriers, needs barriers, and economic barriers.

Housing Quality: Substandard Housing Analysis

For the purpose of this report, HUD defines substandard housing as any unit lacking complete kitchen facilities or incomplete plumbing. Researchers have documented that exposure to substandard housing conditions is not evenly distributed across populations (Krieger & Higgins, 2002). Nationally, low-income individuals and people of color are disproportionately affected and are 2.2 and 1.7 times more likely to occupy homes with severe physical problems due to a combination of poverty, lack of affordable housing, and local eviction systems. In Salisbury, there are 12,654 total occupied units, with 6,251 being owner-occupied and 6,403 being occupied by renters. Out of the owner-occupied units, only 54 were considered substandard and only 95 renter-occupied units were considered substandard, by HUD's definition. Historical data shows that renters are more likely to live in a substandard unit due to the inability to afford other housing options. Additionally, tenants are often reluctant to report housing code violations when affordable housing is limited and there are not a lot of alternatives.

Figure 23. 2017 Owner-Occupied vs. Renter-Occupied Substandard Units



Source: U.S. Census Bureau, 2017.

Poor conditions in homes and neighborhoods can have a compounding effect on the health and welfare of individuals. Salisbury should work with other local jurisdictions to target distressed neighborhoods and adopt holistic approaches to address substandard housing and expand opportunities for both homeowners.

Systems Barriers

Typical systems barriers relate to the inability of an individual to find affordable homes, either through discrimination, lack of knowledge on where to find more information, language and literacy constraints due to English not being the primary language spoken, education, or breakdowns in the process. Also, the current stock of affordable units may not fit an individual's housing needs. Reasons may include quality of housing, location, lack of adequate public facilities, including transportation and schools, and/or limited accessibility.

Burdensome governmental program requirements can contribute to the decline in the supply of affordable homes if homeowners refuse to participate. This was seen in the Housing Choice Vouchers (HCV) program. A national survey conducted by the Public Housing Authority Association in 2012, cited that tightening housing markets, the availability of qualified housing, the program policies, landlords' refusal to participate, racial discrimination, and the local program administration effectiveness led to only 69.2% of voucher recipients being able to find a qualifying home (McLure, 2010).

One of the program findings suggests that landlords were unfamiliar or not knowledgeable about the program. In the study, only 43% of landlords of affordable units indicated they would be willing to rent to HCV, with two of the top three reasons for not renting to HCV as being "too many regulations" (28%) and "too much paperwork" (26%). However, with national surveys indicating these issues, it is important for Salisbury to take a closer look at the availability of housing options for families and or individuals receiving this type of subsidy (McLure, 2010).

Rent Barriers

In 2017, the median contract rent (the monthly cash rent agreed to) in Salisbury was \$533, while the median gross rent (the contract rent plus estimated average monthly cost of utilities and fuels) for 2017 was \$761. The shortfall of \$228 had to be paid out-of-pocket by the individuals or families. This shortfall does not include other out of pocket expenses related to housing, such as child care, health care, transportation, groceries and insurance (U.S. Census Bureau, 2017).

Many LMI persons are 50% more likely to have to pay higher deposits on units and live in less energy-efficient units than those with higher incomes. In addition to not receiving enough subsidy, LMI persons also have increased personal costs, such as public transportation.

As with individuals trying to locate affordable housing, many of those receiving a subsidy also face the challenge of locating landlords who are willing to take the subsidy. Many landlords do not want to deal with any perceived impediments and/or requirements when dealing with a tenant with federal subsidies.

The City of Salisbury must take a closer look at the availability of housing options for families and individuals receiving housing subsidies.

Barriers are also created when affordable housing is located too far away from employment centers, public transportation, and other amenities. This creates a "mismatch" between where low-income families can find an affordable place to live and where employment opportunities are. This mismatch represents a significant barrier to many LMI individuals and families,

especially those rely on public transportation. National data indicate that in 2017, a family earning the Area Median Income spent approximately 17.4% of its income on transportation, while LMI families spent as much as 35% (U.S. Department of Transportation, 2018).

Needs Barriers

Salisbury does not have the affordable housing stock that can meet the demands and/or needs of ELI individual and families. Based on a review of data, the average income for persons who are ELI living in Salisbury is \$16,150.³ With rents at an average of \$777⁴, an ELI individual and/or family would not be able to afford the rent without making extreme housing tradeoffs.

Economic Barriers

Discrimination in credit lending is another significant barrier for access to affordable housing. This includes loan denial, insurance redlining, higher interest rates, and lower appraisal-to-market value ratio's increasing the size of the down payment values. All these processes either deny individuals loans or raise the cost to access credit.

Unreported income is another economic barrier for LMI individuals. Available census and income data sets are based on reported data, but there is significant income, especially in LMI income communities, that goes unreported. This not only causes discrepancies in data, but also makes it difficult for LMI individuals to have verifiable income so they can obtain credit. This barrier was perpetuated during the foreclosure crisis during which many LMI persons were taken advantage of by "no-doc" loans in which income was not verified and credit was over-extended, creating home loans that LMI persons could not afford.

These economic barriers can be overcome with education. Salisbury has to continue to educate its most vulnerable populations on these practices and provide learning tools on credit. In addition, the City should look to enhance down payment assistance programs to further make homeownership a reality.

Group Quarter and Facility Housing Analysis

Based on the 2017 ACS 5-Year Estimates for Salisbury, there were 3,635 individuals living in group quarters. 1,981 of these people were institutionalized (adults living in correctional facilities, juveniles living in correctional facilities, adults living in nursing facilities, etc.) and 1,654 were non-institutionalized (student housing, military quarters, homeless shelters, group homes, etc.). About 61% of the institutionalized population represented adults in correctional facilities. Juveniles represented 36% of this population and persons in nursing/skilled facilities represented over 44% of this population. In the non-institutionalized population, student housing represented about 84% of the population, homeless shelters comprised about 2% of this population and persons residing in group homes comprised just over 4% of the overall population (U.S. Census, 2017).

³ Based on a family size of 3. US Department of Housing and Urban Development (2019). HOME Income Limits. Retrieved from https://files.hudexchange.info/reports/published/HOME_IncomeLimits_State_NC_2019.pdf

⁴ This does not reflect the size of the unit rented at \$777. Certain ELI families would be subject to rents higher than average due to a larger family needing a larger unit.

Based on these numbers, Salisbury must consider options for affordable housing for persons who are leaving these facilities, as the majority of this population will be ELI. In particular, if Salisbury wishes to capture any of the student population to help support any necessary work force shortages, this particular subset of the non-institutionalized group may be concerned with high student loan debt and seeking wage higher than available in the community. It is also possible that with the expansion of home repair programs and accessibility modifications, some persons may not have to enter nursing/skills facilities.



Recommendations

The recommendations in this report provide an overview of objectives that the City of Salisbury can adopt to address housing within the City. Although this is specific to Salisbury, some of these recommendations will require a multi-jurisdictional approach and are not limited to the City of Salisbury's borders. There is no exact model that cities can follow, as each city is unique as it relates to affordable housing needs. These recommendations are general and should be thoughtfully considered by policy makers to meet the needs for all residents within the City of Salisbury.

Approach for setting numerical targets for housing in the City

Establishing a countywide goal for housing affordability can be addressed by targeting the areas of need identified in this study—that is, rental units affordable to address the rental gap and ownership units to targeting LMI households. Ten percent (10%) is a common goal used by other municipalities that have embraced affordable housing targets, meaning that 10% of units created

The City of Salisbury will need to gauge the future: How will future investors benefit from today's planning and design choices? How will the community change and adapt?

are affordable to LMI residents earning less than 30% of the AMI. These goals are based on comprehensive research, best practices, and data analysis. As discussed in the study, housing affordability is critical for all income groups but especially for those who are LMI, paying more than 30% of their gross income on housing expenses.

Overall citywide housing goals should be linked to a 10-year citywide goal for planning and infrastructure needs. In addition, it will be critical to have political buy-in from local governments to start with some level of general fund money for affordable housing development to directly support affordable housing needs on an annual and consistent basis. This type of commitment is needed to realistically move forward with any goals established by the affordable housing groups.

Strategies for ensuring long-term affordability

Market rate housing developments sell out in a matter of years, and market-rent rental properties are often sold after a specified holding period. However, affordable housing developments are often required to remain affordable over the long-term. It is imperative for Salisbury to develop, finance, and manage property longevity, which means integrating sustainability into all aspects of the overall affordability of housing projects. Sustainability is the glue that unites the financing, planning, zoning, designing, marketing, selling, and building of an affordable housing development.

Sustainable development can help ensure long-term affordability and foster a sense of community that benefits buyers over the long-term.

Sustainable Development

Building for sustainability offers the best chance of maintaining long-term value. Sustainable development is high-quality development, but it does not need to be high-cost development. Through creative design and value engineering, developers can create sustainable communities while maintaining affordability.

Key qualities of sustainable affordable housing are

- Promotes economic vitality;
- Fosters environmental integrity; and
- Encourages a sense of community today and for future generations.

Specifically, such housing should promote health, conserve energy and natural resources, and provide easy access to jobs, schools, and services. Collaborative public and private sector strategies that support the development of quality, affordable housing must be in place to have long-term sustainability.

With projects that operate on tight budgets, affordable housing developers are generally careful to invest in nonstandard strategies only where they make economic sense. However, non-standard strategies, such as green materials, can offer numerous benefits and opportunities for a project and improve the project and the community.

For example, recycled construction materials can often be reused to save money *and* be used for onsite public art projects. Specifying materials that result in durable surfaces reduces maintenance fees for residents and managers. Affordable housing developers should think

beyond meeting local, state, or national green-building standards to setting examples of sustainability that add value to the community and its residents. Budget limitations of affordable housing projects can lead to creative sustainable solutions if encouraged.

The focus on sustainability should begin with site selection. Development on infill sites is inherently more sustainable than that on undeveloped sites because infrastructure costs are lower; transportation alternatives are available; it does not use up agricultural or natural lands; and it makes a positive contribution to local economic and social vitality. Sites should be connected to trails, open space, parks, streets, and public transit. Project design should think beyond the car, incorporating options for bicycling, ridesharing, accessing trains and buses, and walking.

Green Standards

The incorporation of greener systems contributes to sustainability. Green affordable housing can reduce utility bills, create healthier living environments, and save nonrenewable resources. Some green options—for example, the use of native plants in landscaping and the use of nontoxic (zero-VOC) paints—cost no more than standard options. Other green options—for example, using old paving material as backfill in trenches and minimizing the amount of grading—can actually save money. Some green options, such as energy-efficient heating and cooling systems, can cost more initially but offer long-term savings in operating or maintenance costs.

For lower-income residents, investment in high-quality and efficient HVAC and other building systems is important to the degree that it achieves savings in maintenance and replacement costs and significantly lowers utility bills, allowing for an aging population to be able to maintain and stay in homes for the long term.



Vacant lots can be greened and repurposed for new uses, such as this play area in Pittsburgh's East Liberty neighborhood.

Photo courtesy: Sara Innamorato

Collaborative public and private sector strategies to support the development of quality, affordable housing

Private capital can no longer be the only option for paying the high price of assembling and preparing appropriate sites for redevelopment, nor can local governments bear the full burden of paying the costs of requisite public infrastructure and facilities. Planning and zoning controls are often either inadequate or too inflexible to ensure either appropriate control or enablement of desired private outcomes. True partnerships replace potential confrontation with collaboration and cooperation to achieve shared goals and objectives. This process requires applying far more effort and skill to weighing, and then balancing, public and private interests and minimizing conflicts.

Housing affects all persons in a community regardless of race, sex, age, creed, and/or color. Furthermore, housing affordability impacts private and public sectors. It is important to have an inclusionary planning approach when a city is seeking advice and community support for affordable housing development.

Residents and neighborhood groups also have a stake in the process. Partnerships around the country have successfully implemented a range of pursuits from single projects to long-term plans for land use and economic growth. Partnerships have completed real estate projects such as mixed-use developments, urban renewal through land and property assembly, public facilities such as convention centers and airports, and public services, such as affordable and senior housing. The City of Salisbury takes pride in investing in open communication and solicits on-going participation from residents and neighborhood groups for planning and community development needs within the city. The City of Salisbury should continue to utilize and further enhance its current citizen participation process already in place utilized for the HUD funding that the City receives.

Today, public/private partnerships are considered “creative alliances” formed between a government entity and private developers to achieve a common purpose. Other factors have joined such partnerships—including nongovernmental institutions, such as health care providers and educational institutions; nonprofit associations, such as community-based organizations; and intermediary groups.

Tools and strategies to promote affordable housing for moderate-, low-, and very-low income households

Setting up partnerships will be imperative to promoting and financing the building of affordable housing development units. Partners can limit each other’s risk and coordinate development roles that the City may not be able to take on independently. There are different tools available to both the local government and private developers to further enhance affordable housing within the community. An in-depth review of the various aspects of the development agreements and incentives offered by the City was beyond the scope of this study. As a result, the following recommendations offer a high-level look at development tools and partnerships that can be established for the promotion of affordable housing.

Planning and Zoning Tools

Rigid zoning and land use controls may limit the development of affordable housing. Growth control measures designed to protect open space increase the base cost of the land available for residential development. Local zoning regulations, such as minimum lot sizes and parking requirements, can also add to the cost of housing development.

However, a variety of zoning and land use tools are available to remove barriers and encourage the development of affordable housing.

Planning and zoning tools available are:

- Minimum Lot Sizes and Setbacks;
- Affordable Housing Districts;
- Infill Housing Development;

- Expedited Permitting; and
- Affordable Dwelling Unit Ordinance.

Minimum Lot Sizes and Setbacks

Reducing minimum lot sizes or setbacks required for new residential development increases project density and decreases the cost of housing development. While technically not an affordable housing program, the cost savings associated with reduced lot sizes and setbacks make the development of affordable units more feasible. Smaller lot size and setback ordinances may be applied to any new development in a jurisdiction or may be restricted to target areas where a locality wishes to encourage affordable housing development.

Pilot Permanent Affordable Housing Production

The City can develop a pilot program that would target housing for the most vulnerable populations within the City that need housing at the lower cost. Housing for persons facing challenges with disabilities, senior housing, persons facing chronic homelessness would not only address a housing needs, but also off-set other non-related housing challenges that persons in this population face such as senior housing, high incarcerations, high need for public assistance and chronic homelessness.

Expedited Permitting

Delays during any stage in the development process add to the final costs of new housing. Reducing the costs incurred by developers during the development review process makes affordable housing projects more attractive. Expedited permitting is a cost-efficient and very effective way of reducing developer costs. Fast-tracking review and permitting of affordable housing projects reduces developer costs at no cost to local jurisdictions. Currently, the Salisbury Development Services Division coordinates the review, approval, and permit issuance of all development-related permitting for properties within the City of Salisbury and extraterritorial jurisdiction. Almost all development activity must receive a City zoning permit before obtaining a building permit from the County. The Rowan County Building Inspections Department coordinates North Carolina State Building Code permits, which may include plumbing, mechanical, electrical, and structural review. The City should seek to provide where feasible expedited permitting.

Partnership with Community Development Financial Institutions

Community Development Financial Institutions (CDFIs) are partnerships that can assist in leveraging small-scale investors and owner-occupants to rehabilitate units in low- to moderate- income neighborhoods and identify in identified distressed areas. Partners like CDFIs have more experience in larger multi-family buildings but have the ability to scale down projects, which allows cities and developers to “pilot” affordable housing development.

Affordable Housing Action Team

Designate a subset of the Affordable Housing Action Team as part of the HOME Consortium to work with the City, County and other applicable entities to develop the appropriate policies/programs and to begin to identify appropriate sites.

Charlotte-Mecklenburg have developed a similar approach with the development of the “Evergreen Team”. Which is a volunteer committee of public and private leaders who agreed to meet monthly during calendar year 2017 to identify some bold ideas for affordable and workforce housing.

CDFIs are equipped with the capital infrastructures and expertise to address the shortcomings of funding and knowledge that often cause developers to stay away from affordable housing ventures. Some CDFIs offer high loan-to-value loans (up to 90%), making it easier for owners of low-value distressed properties to finance building repairs and renovation. By pursuing partnerships with CDFIs, cities can create a critical mass of housing density needed in disinvested neighborhoods to catalyze revitalization. There are 12 CDFIs in North Carolina, according to the Opportunity Finance Network.

Creating a Community Land Trust to Preserve Affordable Housing

Many of the most vulnerable populations located within a community are highly concentrated in areas that are mostly renters and lack owner-occupied homeownership. Many landlords have low rents to keep dwelling units occupied but are unable to (or do not) provide rehabilitation to those units due to the lack of profitability. City planners often struggle with how to increase options for equitable development in residential areas that serve high concentrations of low- to moderate- income persons without creating new development that would displace families that are not able to absorb higher rents. Creating a community land trust (CLT) is an option that allows communities to preserve and create affordable housing options while causing minimal displacement of existing residents.

A CLT is a nonprofit organization that retains ownership of the land, ensuring the future affordability of housing in perpetuity. A CLT can purchase properties before prices increase and then maintain their affordability for low-income people. Among the possible strategies to preserve affordable housing, residents prefer CLTs because they retain local control of properties. There are examples in other North Carolina counties, such as Orange, Durham, and New Hanover counties in which CLTs have been very successful in being able to create affordable housing options.

Financing options for CLTs also are increasing in the private market, as large mortgage firms such as Freddie Mac have announced they will now start financing CLT mortgages to support affordable housing development.

Affordable Housing Bonds

Affordable housing bonds are often used by cities and towns to address affordable housing needs. These bonds may be funded through increases to property taxes or another type of tax, with the revenue used to support affordable housing development.

These bonds can help cities who struggle to keep up with the need for affordable housing units over time. Bonds can be used to provide incentives and additional gap financing for affordable housing units.

Low Income Housing Tax Credits

The Low-Income Housing Tax Credit (LIHTC) program helps to create affordable apartment communities with below-market rents by offering tax incentives to the property owners (not the tenant renting the unit). Properties may contain market-rate units that are not financially assisted in addition to reduced-rent LIHTC units under a tiered-rent structure. A tiered-rent structure means that it's possible for the same unit to have different rent amounts for occupants with different incomes. Private management companies and individual owners manage these low-

income housing apartment communities. LIHTC units may also have a rental subsidy program attached to them, such as the Project-Based Section 8 Program.

The City should seek to partner with North Carolina Housing Finance Agency to learn how to assist developers with obtaining LIHTC in order to make affordable housing available.

Use of Federal Resources

As Salisbury is a HUD Entitlement City, it receives CDBG and HOME funds. HOME Consortium partners have a unique opportunity to tap into other housing funding in conjunction with CDBG and HOME funding. The City should seek out partners to utilize additional funding resources which creates vital partnerships between the needs of revitalization efforts to provide affordable housing options for persons who are low- to moderate income.

Other strategies or findings pertinent to the scope of this proposal

Roundtable Discussions

Housing affordability is not an isolated issue facing communities. Communities must explore other important factors to housing affordability such as economic development trends, need for workforce housing, and housing needs for the most vulnerable populations, e.g. individuals with disabilities, seniors, and veterans. Creating housing partnership round tables can bring a variety of partners to the table further exploring how communities can create diverse housing options for all people.

Employer Assisted Housing

Generally, employer-assisted housing refers to a housing program that is fully or partially financed by an employer to incentivize and benefit employees to become homeowners or have access to affordable housing. On the development side, employers can provide cash financing for the development costs, donate land, or develop affordable housing themselves. Engaging employers in Salisbury's overall affordable housing strategy could be mutually beneficial for employers, workers, and the entire community.

Resourceful Funding

With the increasing scarcity of public sector funds, the complexity of financial packages will necessarily increase. It is, therefore, essential to be both idealistic and innovative thinking to capitalize on any and all funds that might work. Identifying public and nonprofit sector funding mechanisms, such as community development block grants, tax increment financing tools (where available), transportation funds, and local revolving loan funds can sustain continuous momentum for affordable housing initiatives.

Seeking More Subsidies

Changes to land use regulations and housing typologies will help to close the gap of affordable housing, however, Salisbury's housing needs will not be met without subsidies. Subsidies come in different forms. Subsidies, like vouchers or rental assistance, may cover a substantial portion of the rent, which provides tenants with a long-term source of affordability and housing security. Others, like tax credits, HOME funds, CDBG programs, and housing trust funds are typically used to cover the costs of construction, development, or major repairs. No single subsidy can solve the affordable housing problem. Rather, a combination of resources including federal tax credits, state housing trust funds, local zoning decisions, and public land contributions, can help

affordable housing to get built. To close the gap for affordable housing, especially for the lowest-income households, there almost always must have assistance for both development and rental income over time (Urban Institute, July 2016).

Forecast the cost associated with the gaps between the City's current housing stock and projected housing stock needs

Housing is a central component of family life and provides a foundation for family well-being. While we typically think of family households as homes that are occupied by homeowners, renters, in fact, are more likely than homeowners to have at least one child under the age of 18 in their household. Many low-income households struggle to find affordable housing, but for low-income households with children, the search for an affordable, right-sized, and safe unit can be an even greater challenge.

The City of Salisbury addresses affordable housing needs primarily through its entitlement allocations of CDBG and HOME funds. The City's CDBG and HOME funding sources are not solely used for housing activities—a portion of the funds are used to address non-housing community development activities, including the provision of public services and public infrastructure improvements such as sidewalks, pedestrian and bike improvements to existing streets, and park improvements (City of Concord & the Cabarrus/Iredell/Rowan HOME Consortium, 2018).

For FY 2019, Salisbury will receive a CDBG allocation of \$320,017, a CDBG projected program income of \$30,000, and a HOME allocation of \$134,202. Since the City's federal resources are not 100% dedicated to new construction activities, the City also earmarks some of the funding for its housing rehabilitation activities. For the purposes of analyzing the affordable housing gap, the Study looked at new construction activities only.

Based on trends and reviewed data, Salisbury is, on average, meeting the needs of the owner-occupied rehabilitation and emergency repair needs of its residents. Additionally, it is recommended that 10 to 15 new affordable housing units be built per year over a 10-year period within the HOME Consortium service area (City of Concord and the Cabarrus/Iredell/Rowan HOME Consortium Action Plan, 2018) in addition to owner-occupied housing rehabilitations.

On average, construction of single-family affordable housing units, meaning units that serve the population of persons that make less than 50% of the AMI, costs between \$180,000 and \$200,000 to complete. Using the highest cost as the amount to include in a progressive plan to build 15 units per year, the annual cost to complete the new units is \$3 million dollars. After deducting federal resources of \$386,086, the financial gap would be \$2.6 million dollars.

The City's public services CDBG cap will vary each year. According to regulations, up to 15% of CDBG funds can be utilized for public services. The City may retain additional funds through this activity; however, for the purposes of this analysis, the financial gap summary includes the full 15% cap for each year.

The following analysis, which includes federal resources, depicts the financial gap breakdown:

Federal Resources	\$ 454,219
Deducting Public Services Cap @ 15%	\$ 68,133
A) Total Federal Resource	\$ 386,086
B) Cost for New Housing Per Year (15 units per year at \$200k per unit)	\$ 3,000,000
Financial Gap (B-A)	\$2,613,914

Salisbury will need to evaluate and implement strategies to address the anticipated gap. It is not realistic to expect the City to cover the additional \$2.6 million to address its affordable housing needs. However, it is reasonable for the City to start with a smaller goal by implementing a pilot program that will establish some policies and permanent funding in support of affordable housing in working with the development community and its leadership as well as other federal and state resources.

The City should devise a plan to address the \$2.6 million annual gap. A combination of the recommended alternatives that are included in this Study will help the City of Salisbury to identify practical funding options and set realistic goals to meet its affordable housing needs.

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Definitions

Accessible Housing: Housing units that are designed and constructed to be useful to persons with physical impairments.

Below-Market Interest Rate Mortgages: A mortgage that has a reduced interest rate which can subsequently increase your purchasing power.

Closing costs: Expenses in addition to the price of the property that are paid at closing, which generally include a loan origination fee, attorney's fee, taxes, an amount placed in escrow, and charges for obtaining title insurance and a survey.

Closing: A formal meeting where homeownership is transferred from the seller to the buyer. Also known as a settlement, the meeting is typically attended by the buyer(s), the seller(s), their attorneys if they have them, both real estate agents, a representative of the lender, and the closing agent. The purpose is to make sure the property is physically and legally ready to be transferred to the buyer.

Cost Burden: Ratio of housing cost to household income. Renter housing cost in this category is gross rent. Owner housing cost in this category includes mortgage payment, utilities, association fees, insurance and real estate taxes.

Down Payment: A portion of the buyer's own funds put towards purchase of a home. Down payments may come from buyers' savings accounts, checking accounts, stocks and bonds, life insurance policies, and gifts.

Escrow Account: An account where a portion of your mortgage payment is held to cover real estate taxes, homeowner's insurance, and mortgage insurance (if applicable).

Extremely Low Income: Families whose incomes do not exceed the higher of Federal Poverty Level, found here: [or](#). 30 percent of Area Median Income

HAMFI: Refers to HUD Area Median Family Income.

Homeowner's Insurance: An insurance policy that includes personal liability insurance in case someone is injured on the property, personal property coverage for loss of and damage to personal property due to theft or other events, and dwelling coverage to protect the house against fire, theft, weather damage, and other hazards. If the home you want to buy is located near water, you may be able to get flood insurance as part of your homeowner's protection. Flood insurance may be required in some areas. Check with your real estate professional or lender for further information.

Homeownership: A person who owns a home

Household: A loosely defined term that can vary depending on project management, and refers to family members and others who live under the same roof.

Housing Choice Voucher Program (Section 8): A federally funded housing assistance program administered by local Public Housing Agencies (PHAs) or other administering agencies in which very low income households receive vouchers to help cover housing expenses.

Interest: The fee charged for borrowing money.

Lenders may require payment of the first year's premium at or before closing. Lenders may add the insurance cost to monthly mortgage payments and keep this portion of payment in an escrow account. Lenders pay the insurance bill out of escrow when premium notices from the insurance company are received.

Loan Origination Fee: A fee, sometimes called a "point" or "points," that covers the lender's administrative costs of processing the loan. Often expressed as a percentage of the loan, the fee varies across lenders. Generally, the buyer pays the fee.

Market Rate Rental Housing: Privately owned housing that rents at whatever the owner or landlord deems reasonable, which is usually dictated by the market or local economy, and varies by location.

Mortgage Insurance: Generally, if a down payment is less than 20% of the purchase price of the home, mortgage insurance is required. Mortgage insurance is issued by a private company or by a government agency such as the Federal Housing Administration. Lenders may require payment of the first year's premium at closing, but there are mortgage insurance products that do not require a lump-sum payment at closing.

Mortgage: A loan obtained to purchase real estate. The "mortgage" itself is a lien (a legal claim) on the home or property that secures the promise to pay the debt. All mortgages have two common features: principal and interest. Also included in your monthly mortgage payment is money paid into an escrow account (see below).

Move In Costs: Additional costs that must be paid before moving into housing, and can include such fees as security and utility deposits.

Principal: Refers to the part of the monthly payment that reduces the remaining balance of the mortgage.

Public Housing Agencies (PHAs): Organizations that contract with the US Dept. of Housing and Urban Development to administer the Housing Choice Voucher Program (Section 8) at the state or local level. Some of these agencies are also Public Housing Authorities.

Public Housing Authorities: Organizations created by state law to provide subsidized housing and own and operate public housing units. Within broad federal rules PHAs have flexibility to operate their programs to best meet local needs. Examples of this flexibility include whether the PHA will establish preferences for certain populations, how they set their payment standards, etc. Policies and procedures must be documented in the PHA Administrative Plan.

Public Housing: Housing developments owned and managed by local Public Housing Agencies (PHAs).

Rental Application: A form or forms that landlords require prospective tenants to complete to provide information about the tenant's income, credit history, rental history, and criminal background.

Second Mortgage: An additional mortgage that has a lien (legal claim) position subordinate to the first mortgage. A second mortgage often represents the difference between the price of the

house and first mortgage plus the down payment. When offered through affordable housing programs, this is sometimes referred to as a soft second" mortgage.

Shared Housing: A living situation in which housing costs are shared between roommate(s).

Subsidized Housing: Housing in which some sort of financial incentive is provided in the form of a direct payment or tax relief to the housing developer, property owner, or individual renter.

Subsidy: A financial incentive provided in the form of a direct payment or tax relief to the housing developer, property owner, or individual renter. Affordable housing subsidy can come in the form of low income tax credits for developers and Section 8 Housing Vouchers for the individual renter.

Survey: The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fee, but sometimes this may be paid by the seller.

Title Insurance: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against losses arising from defects in the title not listed in the title report or abstract.

Title Search: A check of the public records to ensure that the seller is the legal owner of the property and to identify any liens or claims against the property.

Title: A legal document evidencing a person's right to or ownership of a property.